As filed with the Securities and Exchange Commission on July 12, 2002

Registration No. 333-87044

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
to
FORM S-1
REGISTRATION STATEMENT

Under
THE SECURITIES ACT OF 1933

RED ROBIN GOURMET BURGERS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**5812**	**84-1573084**
(State or other jurisdiction of incorporation or organization)	**(Primary standard industrial classification code number)**	**(I.R.S. employer identification number)**

5575 DTC Parkway, Suite 110
Greenwood Village, Colorado 80111
(303) 846-6000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael J. Snyder
Chief Executive Officer
5575 DTC Parkway, Suite 110
Greenwood Village, Colorado 80111
(303) 846-6000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies To:

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Newport Beach, California 92660
(949) 760-9600

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Stuart H. Gelfond
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One New York Plaza
New York, New York 10004
(212) 859-8000

Approximate date of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ☐

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Red Robin may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and Red Robin is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JULY 12, 2002

PROSPECTUS

5,038,000 Shares

Common Stock

Red Robin Gourmet Burgers, Inc. and the selling stockholders are offering shares of common stock in a firmly underwritten offering. This is Red Robin's initial public offering, and no public market currently exists for our shares. Red Robin anticipates that the initial public offering price for its shares will be between $14.00 and $16.00 per share. Red Robin will not receive any of the proceeds from shares sold by the selling stockholders.

Our common stock has been approved for quotation on The Nasdaq Stock Market's National Market under the symbol "RRGB."

Investing in our common stock involves risks that are described under "Risk Factors" beginning on page 7 of this prospectus.

	Per Share	Total
Offering Price	$	$
Discounts and Commissions to Underwriters	$	$
Offering Proceeds to Red Robin	$	$
Offering Proceeds to the Selling Stockholders	$	$

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or has determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Some of the selling stockholders have granted the underwriters the right to purchase up to an additional 755,700 shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time from time to time within 30 days after the offering. Delivery of the shares of common stock will be made on or about , 2002.

Banc of America Securities LLC U.S. Bancorp Piper Jaffray

Wachovia Securities

The date of this prospectus is , 2002

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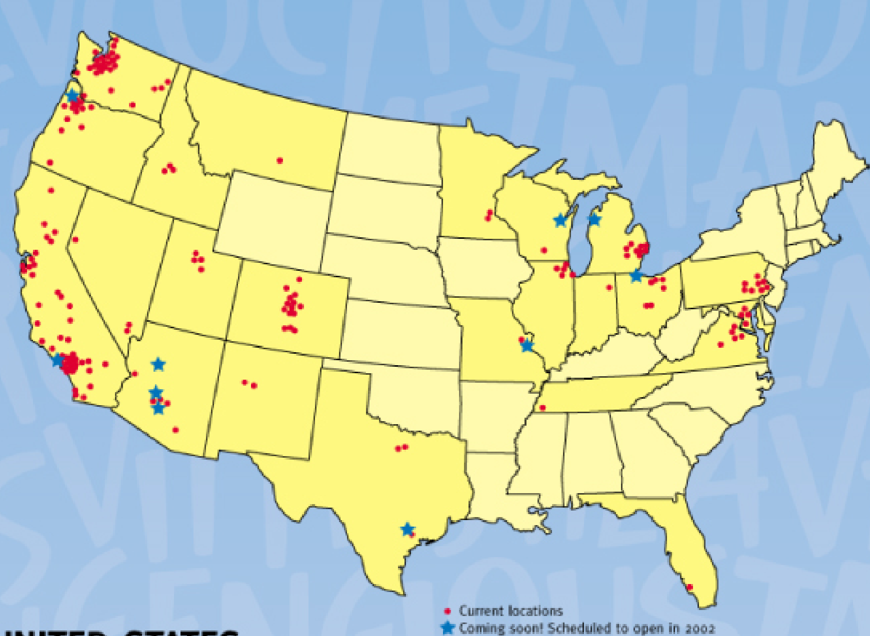


UNITED STATES

ALASKA

Anchorage (3)

ARIZONA

Lake Havasu City, Mesa, Scottsdale, Tempe and Tucson. *Coming soon to Chandler, Peoria, and Prescott.*

CALIFORNIA

Bakersfield, Brea, Calabasas, Canoga Park, Cerritos, Citrus Heights, Clovis, Coalinga, Concord, Corona, Del Mar, Encinitas, Escondido, Fairfield, Folsom, Fresno, Garden Grove, Glendale, La Habra, La Mirada, La Quinta, Moreno Valley, Newark, Orange, Palmdale, Pleasanton, Redding, Redondo Beach, Roseville, San Bruno, San Diego, San Dimas, San Jose, San Mateo, Santa Ana, Santa Barbara, Santa Maria, Stanton, Temecula, Tustin, Valencia, Ventura, Victorville, Visalia, W. Covina and Yuba City. *Coming soon to Irvine.*

COLORADO

Arvada, Aurora, Boulder, Broomfield, Colorado Springs (3), Ft. Collins, Greenwood Village, Highlands Ranch, Lakewood, Littleton (2) and Parker

FLORIDA

Bonita Springs

IDAHO

Boise (2) and Nampa

ILLINOIS

Chicago, Lincolnshire, Schaumburg, Warrenville and Wheaton

INDIANA

Ft. Wayne

MARYLAND

Annapolis, Gaithersburg, Germantown and Owings Mills.

MICHIGAN

Brighton, Detroit, Madison Heights, Novi, Pittsfield Township, Roseville, Southgate and Westland. *Coming soon to Clinton Township.*

MINNESOTA

Apple Valley and Eagan

MISSOURI

Chesterfield (St. Louis). *Coming soon to Fenton.*

MONTANA

Billings

NEVADA

Henderson, Las Vegas and Reno

NEW MEXICO

Albuquerque (2)

OHIO

Canton, Columbus (2), Elyria, North Olmsted and Willoughby. *Coming soon to Toledo.*

OREGON

Albany, Beaverton, Bend, Clackamas, Eugene, Gresham, Hillsboro (2), Medford, Portland (2), Salem and Wilsonville. *Coming soon to Tigard.*

PENNSYLVANIA

Allentown (2), Easton, Exton, Harrisburg, Hershey, Langhorne and Mechanicsburg

TENNESSEE

Memphis

TEXAS

Grapevine, Houston and Hurst. *Another coming soon to Houston.*

UTAH

Layton, Provo, Salt Lake City (Murray) and West Valley City

VIRGINIA

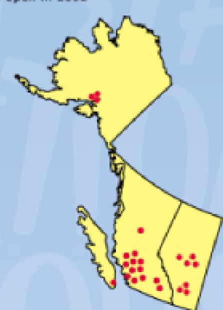
Charlottesville, Dulles, Fairfax, Glen Allen and Woodbridge.

WASHINGTON

Bellevue(2) Bellingham, Burlington, Des Moines, Everett, Federal Way, Issaquah, Kennewick, Kent, Lynnwood, Olympia, Puyallup, Redmond (2), Seattle (3), Silverdale, Spokane (3), Tacoma, Tukwila, Vancouver, Woodinville and Yakima

WISCONSIN

Monona (Madison). *Coming soon to Appleton.*



CANADA

ALBERTA

Calgary (3), Edmonton (3), and West Edmonton

BRITISH COLUMBIA

Abbotsford, Burnaby (2), Coquitlam, Kelowna, Langley, Maple Ridge, N. Vancouver, Prince George, Surrey (2), Vancouver (2) and Victoria

RED ROBIN AMERICA'S GOURMET BURGERS & SPIRITS

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Our Cornerstones: Values, People, Burgers & Time

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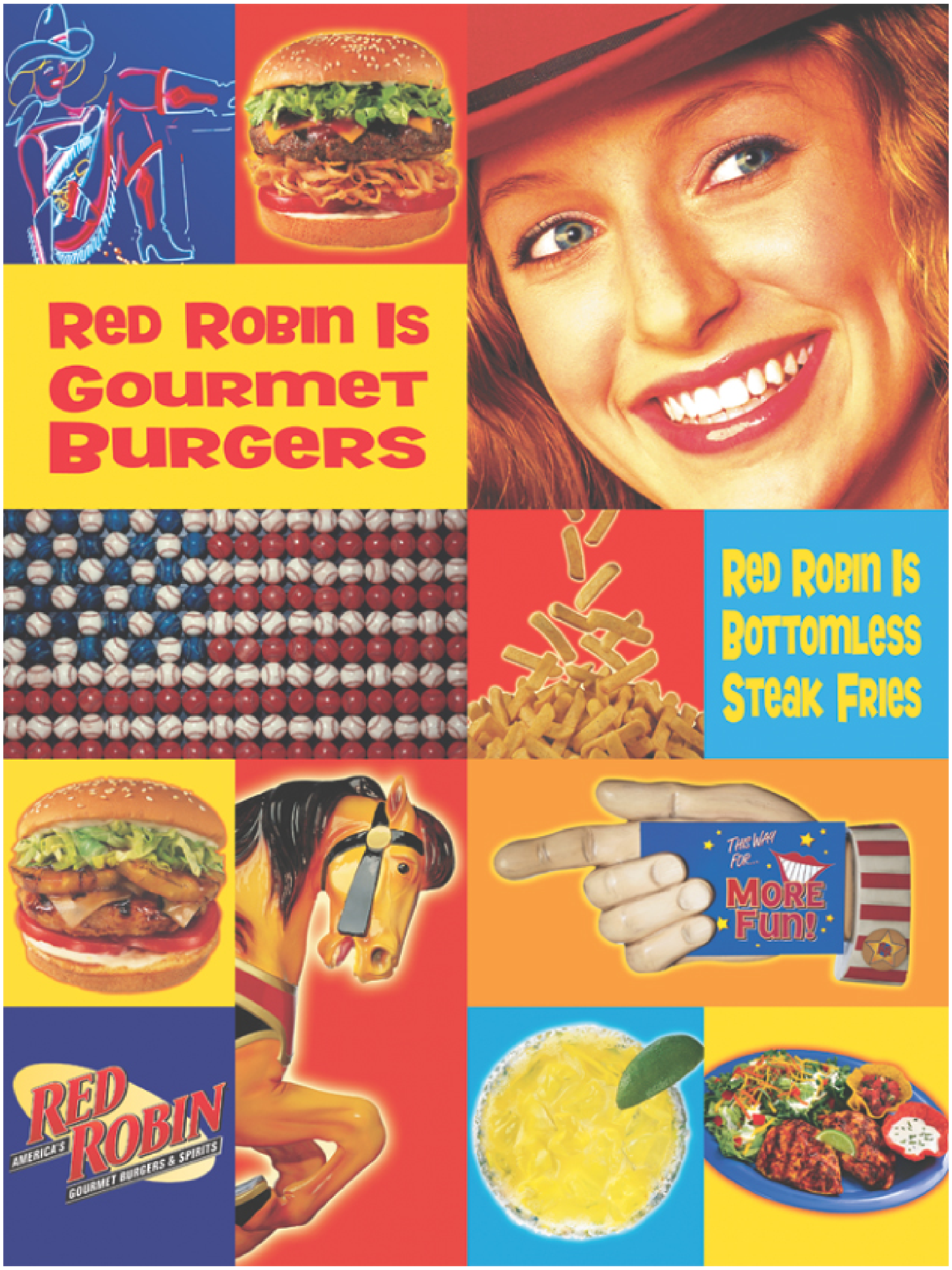

Red Robin Is Gourmet Burgers
Red Robin Is Bottomless Steak Fries
This Way For... More Fun!
RED ROBIN
AMERICA'S
GOURMET BURGERS & SPIRITS

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. We are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers or sales are permitted. The information in this document may only be accurate on the date of this document. Our business, financial condition or results of operations may have changed since that date.

Red Robin®, America's Gourmet Burgers & Spirits® and Mad Mixology® are federally registered trademarks and service marks owned by Red Robin. Red Robin® is also registered in Canada. This prospectus also contains trademarks of companies other than Red Robin and use of such marks in this prospectus does not indicate an affiliation with or endorsement by such third parties.

ASSUMPTIONS USED IN THIS PROSPECTUS

Throughout this prospectus, our fiscal years ended December 28, 1997, December 27, 1998, December 26, 1999, December 31, 2000 and December 30, 2001 are referred to as years 1997, 1998, 1999, 2000 and 2001, respectively. Our fiscal year consists of 52 or 53 weeks and ends on the last Sunday in December in each fiscal year. Fiscal year 2000 included 53 weeks. All other fiscal years shown included 52 weeks. In 2001, our first quarter ended on April 22, 2001 and is referred to throughout this prospectus as first quarter 2001 and in 2002, our first quarter ended on April 21, 2002 and is referred to throughout this prospectus as first quarter 2002. Our first quarters include 16 weeks and our second, third and fourth quarters each include 12 weeks.

Unless we indicate otherwise, all of the information in this prospectus assumes:

- the underwriters will not exercise their over-allotment option to purchase up to 755,700 additional shares of our common stock from some of the selling stockholders at the price set forth on the cover of this prospectus;
- an initial offering price of $15.00 per share, the midpoint of the range set forth on the cover of this prospectus;
- no exercise of options to purchase an aggregate of 504,466 shares of common stock which were outstanding as of May 19, 2002 under our stock option plans; and
- that we have completed a one-for-2.9 reverse stock split that we intend to complete prior to the consummation of this offering.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including the "Risk Factors" section and our consolidated financial statements and the related notes. References in this prospectus to "Red Robin," "company," "we," "us" and "our" refer to the business of Red Robin Gourmet Burgers, Inc. and its subsidiaries.

OUR BUSINESS

Red Robin is a casual dining restaurant chain focused on serving an imaginative selection of high quality gourmet burgers in a family-friendly atmosphere. We currently own and operate 91 restaurants in 12 states, and have 98 additional restaurants operating under franchise or license agreements in 18 states and Canada.

Our menu is centered around our signature product, the gourmet burger, which we make from beef, chicken, veggie, fish, turkey and pot roast and serve in a variety of recipes. We offer a wide selection of toppings for our gourmet burgers, including fresh guacamole, roasted green chilies, honey mustard dressing, grilled pineapple, crispy onion straws, sautéed mushrooms and a choice of six different cheeses. In addition to our gourmet burgers, which accounted for approximately 44.0% of our total food sales in 2001, we also serve an array of other food items that are designed to appeal to a broad group of guests, including salads, soups, appetizers, other entrees such as rice bowls and pasta, desserts and our signature Mad Mixology® alcoholic and non-alcoholic specialty beverages.

Our restaurants are designed to create a fun and memorable dining experience in a family-friendly atmosphere and provide our guests with an exceptional dining value. Our concept attracts a broad guest base by appealing to the entire family.

OUR CONCEPT AND BUSINESS STRATEGY

Our objective is to be the leading gourmet burger and casual dining restaurant destination. To achieve our objective, we have developed the following strategies.

- *Focus on our key guiding principals, or "cornerstones," that drive our success.* Values, people, burgers and time.
- *Offer high quality, imaginative menu items.* Our restaurants feature imaginative menu items that showcase recipes and capture tastes and flavors that our guests do not typically associate with burgers, salads and sandwiches.
- *Create a fun, festive and memorable dining experience.* We promote an exciting, high-energy and family-friendly atmosphere by decorating our restaurant interiors with an eclectic selection of celebrity posters, three-dimensional artwork, carousel horses and statues of our mascot "Red".
- *Provide an exceptional dining value with broad consumer appeal.* We offer generous portions of high quality, imaginative food and beverages for a per person average check of approximately $10.00, which we believe differentiates us from many of our competitors who have significantly higher average guest checks.
- *Deliver strong unit economics.* Our comparable company-owned restaurants generated average sales of approximately $3.0 million and restaurant-level operating profit of approximately $618,000, or 20.5% of comparable company-owned restaurant sales in 2001. The average cash investment cost for

our free-standing restaurants opened in 2001 was approximately $1.7 million, excluding pre-opening costs and land. Our comparable company-owned restaurants generated average sales of approximately $2.9 million and restaurant-level operating profit of approximately $533,000, or 18.4% of comparable company-owned restaurant sales in 2000. The average cash investment cost for our free-standing restaurants opened in 2000 was approximately $1.8 million, excluding pre-opening costs and land.

- *Pursue disciplined restaurant and franchise growth.* Our disciplined expansion strategy includes both company-owned and franchised development. In 2002, we have opened five new company-owned restaurants, relocated one restaurant and expect to open five additional new company-owned restaurants. Our franchisees have opened four new restaurants and we expect them to open three additional restaurants this year.

- *Build awareness of the Red Robin® America's Gourmet Burgers & Spirits® brand* We believe we have become well known within our markets for our signature menu items and we intend to strengthen this brand loyalty by continuing to offer new menu items and deliver a consistently memorable guest experience.

- *Continue to capitalize on favorable lifestyle and demographic trends.* We believe we have benefited from several key trends that have helped drive our business. These trends include the expected increase in consumption of food away from home and the large and growing teen population.

OUR GROWTH STRATEGIES

We believe that there are significant opportunities to grow our concept and brand on a nationwide basis through both new company-owned and franchised restaurants. We believe that our concept and brand can support as many as 850 additional company-owned or franchised restaurants throughout the United States.

Company-owned restaurants. Our primary source of expansion and growth in the near term will be the addition of new company-owned restaurants. We are pursuing a disciplined growth strategy and intend to develop many of our new restaurants in our existing markets, and selectively enter into new markets. Our growth strategy incorporates a cluster strategy for market penetration, which we believe will enable us to gain operating efficiencies, increase brand awareness and enhance convenience and ease of access for our guests, all of which we believe will lead to significant repeat business. Our site selection criteria for new restaurants is flexible and allows us to adapt to a variety of locations near high activity areas such as retail centers, big box shopping centers and entertainment centers.

Franchised Restaurants. The other key aspect of our growth strategy is the continued development of our franchise restaurants. We expect the majority of our new franchise restaurant growth to occur through the development of new restaurants by new franchisees, primarily in the Northeast, Midwest and the South. We intend to continue to strengthen our franchise system by attracting experienced and well-capitalized area developers who are quality-conscious restaurant operators and who possess the expertise and resources to execute the development of new restaurants on a large scale.

OUR HISTORY

Red Robin opened its first restaurant in 1969, in Seattle, Washington near the University of Washington campus. In 1996, Mike Snyder, then our leading franchisee, became our president and implemented a number of strategic initiatives, including strengthening our gourmet burger concept, recruiting a new management team, upgrading management information systems, streamlining operations and improving guest service. As a result of these and other initiatives, we increased the average annual restaurant sales of our comparable company-owned

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restaurants from $2.1 million in 1995 to $3.0 million in 2001 and expanded comparable restaurant-level operating profit margins from 15.8% in 1995 to 20.5% in 2001. In 2000, we completed a recapitalization of our company, and acquired Mike Snyder's 14-unit franchise company, The Snyder Group Company. In addition, Quad-C, a private equity firm whose principals have substantial restaurant experience, made an equity investment of $25.0 million in our company through its affiliates.

RISK FACTORS

An investment in our common stock involves a high degree of risk. The following risks, as well as the risks discussed in "Risk Factors," should be carefully considered before investing in our common stock:

- our ability to open new restaurants, secure sufficient new space and manage our planned expansion;
- the continued service of key management personnel;
- changes in consumer preferences or consumer discretionary spending;
- health concerns regarding beef or other food products;
- the effect of competition in the restaurant industry;
- the ability of our franchisees to take actions that could harm our business;
- adverse economic and other developments in the Western United States where 83.3% of our company-owned restaurants are located; and
- Quad-C, Skylark Co., Ltd., Mike Snyder and our other officers, directors and principal stockholders will hold approximately 58.0% of our common stock after this offering and, acting individually or together, will be able to exert significant influence over all matters requiring stockholder approval, including the election of directors and significant business transactions.

Our principal executive offices are located at 5575 DTC Parkway, Suite 110, Greenwood Village, Colorado 80111. Our telephone number is (303) 846-6000. Our website is www.redrobin.com. The information on our website is not part of this prospectus.

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THE OFFERING

Common stock offered by:	
Red Robin Gourmet Burgers, Inc.	4,000,000 shares
Selling stockholders	1,038,000 shares
Common stock to be outstanding after this offering	15,025,654 shares
Use of proceeds	We intend to use the proceeds of this offering: • to repay approximately $47.9 million of indebtedness under our term loan, including related fees; • to repay approximately $3.5 million of indebtedness under our revolving credit facility; and • to repay approximately $2.1 million of indebtedness under one real estate and three equipment loans, including related fees. The remaining net proceeds will be used for general corporate purposes, which may include the opening of new restaurants or the acquisition of existing restaurants from franchisees if we receive sufficient proceeds. We will not receive any of the proceeds from the sale of shares by the selling stockholders. See “Use of Proceeds.”
Proposed Nasdaq National Market symbol	RRGB

The number of shares of common stock to be outstanding after this offering is based on our shares outstanding as of May 19, 2002. This information excludes:

- 1,475,690 shares of common stock reserved for issuance under our stock option plans, of which 504,466 shares are subject to options outstanding at a weighted average exercise price of $5.83 per share; and
- 300,000 shares of common stock reserved for issuance under our employee stock purchase plan.

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SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

	Fiscal Year Ended			First Quarter Ended	
	1999	2000(1)	2001	2001	2002
	(in thousands, except per share data, restaurant-related data and footnotes)			(unaudited)	
Statement of Income Data:					
Revenues:					
Restaurant	$ 121,430	$ 180,413	$ 214,963	$64,572	$76,317
Franchise royalties and fees	8,249	8,247	9,002	2,822	2,757
Rent revenue	333	510	520	120	127
Total revenues	130,012	189,170	224,485	67,514	79,201
Income from operations	7,145	8,805	18,740	5,127	5,993
Interest expense	4,156	6,482	7,850	2,500	2,217
Interest income	(186)	(742)	(746)	(208)	(100)
Other expense	391	191	190	63	25
(Provision) benefit for income taxes(2)	1,596	12,557	(3,722)	(901)	(1,374)
Net income(2)	4,380	15,431	7,724	1,871	2,476
Net income per common share(2)					
Basic	$ 1.47	$ 2.07	$ 0.77	$ 0.19	$ 0.25
Diluted	$ 1.47	$ 2.07	$ 0.75	$ 0.18	$ 0.23
Shares used in computing net income per common share					
Basic	2,971	7,444	10,085	10,076	10,090
Diluted	2,971	7,444	10,236	10,170	10,650
Selected Operating Data:					
System-wide restaurants open at end of period	144	164	182	165	186
Company-owned restaurants open at end of period	46	73	77	72	88
Average annual comparable company-owned restaurant sales(3)	$ 2,664	$ 2,890	$ 3,020		
Comparable company-owned restaurant sales increase(3)	5.8%	6.9%	2.0%	2.6%	0.4%
Restaurant-level operating profit(4)	$ 20,340	$ 32,423	$ 41,215	$11,497	$14,298
EBITDA(5)	12,539	16,870	29,231	8,279	9,592
EBITDA margin(5)	9.6%	8.9%	13.0%	12.3%	12.1%

	April 21, 2002	
	Actual	As Adjusted(6)
	(unaudited)	
Balance Sheet Data:		
Cash and cash equivalents	$ 6,547	$ 10,695
Total assets	154,188	156,168
Long-term debt, including current portion	78,743	30,122
Total stockholders' equity	49,475	100,076

(1) In May 2000, we purchased all of the outstanding capital stock of one of our franchisees, The Snyder Group Company, for approximately $23.7 million plus liabilities assumed of $20.0 million, thereby acquiring 14 restaurants and significantly changing our capital structure. See the financial statements of The Snyder Group Company and the related notes included elsewhere in this prospectus.

In addition, in May 2000, we sold 4,310,344 shares of our common stock to affiliates of Quad-C, a private equity firm, for $25.0 million. The proceeds were used to pay off debentures and promissory notes, as well as pay down bank debt and fund new restaurant construction.

(2) Net income in 1999 included a benefit for income taxes of $1.6 million and net income in 2000 included a benefit for income taxes of $12.6 million, in each case as a result of the reversal of previously recorded deferred tax asset valuation allowance. Due to our improved profitability, the deferred tax asset valuation allowance was reversed because it became more likely than not that the deferred tax asset would be realized in the future.

(3) Company-owned restaurants become comparable in the first period following the first full fiscal year of operations. For example, the restaurants we acquired in May 2000 from The Snyder Group Company are included in comparable company-owned restaurants in 2002.

(4) We define restaurant-level operating profit to be restaurant sales minus restaurant operating costs, excluding restaurant closures and impairment costs. It does not include general and administrative costs, depreciation and amortization, franchise development costs and pre-opening costs. Although restaurant-level operating profit is a measure commonly used in the restaurant industry to evaluate operating performance, it is not a measurement determined in accordance with generally accepted accounting principles and should not be considered in isolation or as an alternative to net income, cash flows generated by operations, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity. Restaurant-level operating profit as presented may not be comparable to other similarly titled measures of other companies. The following table sets forth our calculation of restaurant-level operating profit:

				First Quarter Ended	
	1999	2000	2001	2001	2002
		(in thousands)		(unaudited)	
Restaurant revenue	$ 121,430	$ 180,413	$ 214,963	$ 64,572	$ 76,317
Cost of sales	30,159	43,945	50,914	15,952	17,897
Labor	43,504	64,566	74,854	22,639	27,428
Operating	19,429	27,960	33,195	10,317	11,412
Occupancy	7,998	11,519	14,785	4,167	5,282
Restaurant-level operating profit	$ 20,340	$ 32,423	$ 41,215	$ 11,497	$ 14,298

(5) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA is another measure commonly used to evaluate operating performance. EBITDA is not a measurement determined in accordance with generally accepted accounting principles and should not be considered in isolation or as an alternative to net income, cash flows generated by operations, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity. EBITDA as presented may not be comparable to other similarly titled measures of other companies. EBITDA margin is calculated as EBITDA divided by total revenues. The following table sets forth our calculation of EBITDA:

				First Quarter Ended	
	1999	2000	2001	2001	2002
		(in thousands)		(unaudited)	
Income from operations	$ 7,145	$ 8,805	$ 18,740	$ 5,127	$ 5,993
Depreciation and amortization	5,394	8,065	10,491	3,152	3,599
EBITDA	$ 12,539	$ 16,870	$ 29,231	$ 8,279	$ 9,592

(6) As adjusted information gives effect to the application of the net proceeds from the sale of 4,000,000 shares of our common stock offered by us in this offering at an initial offering price of $15.00 per share, less the underwriting discount and estimated offering expenses payable by us, and the use of the proceeds from this offering to repay approximately $47.9 million of indebtedness under our term loan, including related fees, approximately $3.5 million of indebtedness under our revolving credit facility and approximately $2.1 million of indebtedness under one real estate and three equipment loans, including related fees. This information also reflects the non-cash charge to earnings of approximately $2.2 million from the write-off of deferred loan fees and the cash charge of approximately $1.9 million from pre-payment penalty fees related to the repayment of the indebtedness noted above.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully read and consider the risks described below before deciding to invest in our common stock. If any of the following risks actually occurs, our business, financial condition, results of operation or cash flows could be materially harmed. In any such case, the trading price of our common stock could decline, and you could lose all or part of your investment. When determining whether to buy our common stock, you should also refer to the other information in this prospectus, including our consolidated financial statements and the related notes.

Risks related to our business

Our growth strategy depends on opening new restaurants. Our ability to expand our restaurant base is influenced by factors beyond our control, which may slow restaurant development and expansion and impair our growth strategy.

We are pursuing an accelerated but disciplined growth strategy which, to be successful, will depend in large part on our ability and the ability of our franchisees to open new restaurants and to operate these restaurants on a profitable basis. We anticipate that our new restaurants will generally take several months to reach planned operating levels due to inefficiencies typically associated with new restaurants, including lack of market awareness, the need to hire and train sufficient team members and other factors. We cannot guarantee that we or our franchisees will be able to achieve our expansion goals or that new restaurants will be operated profitably. Further, we cannot assure you that any restaurant we open will obtain operating results similar to those of our existing restaurants. The success of our planned expansion will depend upon numerous factors, many of which are beyond our control, including the following:

- the hiring, training and retention of qualified operating personnel, especially managers;
- reliance on the knowledge of our executives and franchisees to identify available and suitable restaurant sites;
- competition for restaurant sites;
- negotiation of favorable lease terms;
- timely development of new restaurants, including the availability of construction materials and labor;
- management of construction and development costs of new restaurants;
- securing required governmental approvals and permits in a timely manner, or at all;
- competition in our markets; and
- general economic conditions.

Our success depends on our ability to locate and secure a sufficient number of suitable new restaurant sites.

One of our biggest challenges in meeting our growth objectives will be to locate and secure an adequate supply of suitable new restaurant sites. There can be no assurance that we will be able to find sufficient suitable locations, or suitable leases, for our planned expansion in any future period. We have experienced delays in opening some of our restaurants and may experience delays in the future. Delays or failures in opening new restaurants could materially adversely affect our planned growth.

Our restaurant expansion strategy focuses primarily on further penetrating existing markets. This strategy could cause sales in some of our existing restaurants to decline.

Our areas of highest concentration are California, Colorado, Washington and Oregon. In accordance with our expansion strategy, we intend to open new restaurants primarily in our existing markets. Because we typically draw guests from a relatively small radius around each of our restaurants, the sales performance and guest counts for restaurants near the area in which a new restaurant opens may decline due to the opening of new restaurants.

Our expansion into new markets may present increased risks due to our unfamiliarity with the area.

Some of our new restaurants will be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new restaurants to be less successful than restaurants in our existing markets. An additional risk in expansion into new markets is the lack of market awareness of the Red Robin brand. Restaurants opened in new markets typically open at lower average weekly sales volumes than do restaurants opened in existing markets, initially resulting in higher restaurant-level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average annual company-owned restaurant sales, if at all, thereby affecting the profitability of these restaurants.

Our expansion may strain our infrastructure and other resources, which could slow our restaurant development or cause other problems.

We face the risk that our existing systems and procedures, restaurant management systems, financial controls, information systems, management resources and human resources will be inadequate to support our planned expansion of company-owned and franchised restaurants. We may not be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on our infrastructure and other resources. If we fail to continue to improve our infrastructure or to manage other factors necessary for us to achieve our expansion objectives, our operating results could be materially negatively affected.

Our ability to raise capital in the future may be limited, which could adversely impact our business.

Changes in our operating plans, acceleration of our expansion plans, lower than anticipated sales, increased expenses or other events, including those described in this section, may cause us to need to seek additional debt or equity financing on an accelerated basis. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could negatively impact our growth and other plans as well as our financial condition and results of operations. Additional equity financing may be dilutive to the holders of our common stock and debt financing, if available, may involve significant cash payment obligations and covenants and/or financial ratios that restrict our ability to operate our business. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

If our franchisees cannot develop or finance new restaurants or build them on suitable sites or open them on schedule, our growth and success may be impeded.

Under our current form of area development agreement, franchisees must develop a predetermined number of restaurants in their area according to a schedule that lasts for the term of their development agreement. Franchisees may not have access to the financial or management resources that they need to open the restaurants required by their development schedules, or be able to find suitable sites on which to develop them. Franchisees may not be able to negotiate acceptable lease or purchase terms for the sites, obtain the necessary permits and government approvals or meet construction schedules. In the past, we have agreed to extend or modify development schedules for certain areas developers, and we may do so in the future. Any of these problems could slow our growth and reduce our franchise revenues.

Additionally, our franchisees depend upon financing from banks and other financial institutions in order to construct and open new restaurants. Over the past several years, financing has been difficult for small operators to obtain. Should these conditions continue into the future, the lack of adequate availability of debt financing could adversely affect the number and rate of new restaurant openings by our franchisees and adversely affect our future franchise revenues.

Our franchisees could take actions that could harm our business.

Franchisees are independent contractors and are not our employees. We provide training and support to franchisees, but the quality of franchised restaurant operations may be diminished by any number of factors beyond our control. Consequently, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements, or may not hire and train qualified managers and other restaurant personnel. If franchisees do not, our image and reputation, and the image and reputation of other franchisees, may suffer materially and system-wide sales could significantly decline.

The acquisition of existing restaurants from our franchisees may have unanticipated consequences that could harm our business and financial condition.

We may seek to selectively acquire existing restaurants from our franchisees. To do so, we would need to identify suitable acquisition candidates, negotiate acceptable acquisition terms and obtain appropriate financing. Any acquisition that we pursue, whether or not successfully completed, may involve risks, including:

- material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition as it is integrated into our operations;
- risks associated with entering into markets or conducting operations where we have no or limited prior experience; and
- the diversion of management’s attention from other business concerns.

Future acquisitions of existing restaurants from our franchisees, which may be accomplished through a cash purchase transaction or the issuance of our equity securities, or a combination of both, could result in potentially dilutive issuances of our equity securities, the incurrence of debt and contingent liabilities and impairment charges related to goodwill and other intangible assets, any of which could harm our business and financial condition.

Our operations are susceptible to changes in food availability and costs which could adversely affect our operating results.

Our profitability depends in part on our ability to anticipate and react to changes in food costs. We rely on SYSCO Corporation, a national food distributor, as the primary supplier of our food. Any increase in distribution prices or failure to perform by SYSCO could cause our food costs to increase. There also could be a significant short-term disruption in our supply chain if SYSCO failed to meet our distribution requirements or our relationship was terminated at the end of the contract term on June 30, 2004 or earlier by SYSCO upon breach or material deterioration of our financial position. Further, various factors beyond our control, including adverse weather conditions, governmental regulation, production, availability and seasonality may affect our food costs or cause a disruption in our supply chain. Chicken represented approximately 19.6% and beef represented approximately 10.0% of our food purchases in 2001. We enter into annual contracts with our beef and chicken suppliers. Our contracts for chicken are fixed price contracts. Our contracts for beef are generally based on current market prices plus a processing fee. Changes in the price or availability of chicken or beef could materially adversely affect our profitability. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. In addition, because we provide a “value-priced” product, we may not be able to pass along price increases to our guests.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- the timing of new restaurant openings and related expenses;
- restaurant operating costs and pre-opening costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter;
- labor availability and costs for hourly and management personnel;
- profitability of our restaurants, especially in new markets;
- franchise development costs;
- increases and decreases in comparable restaurant sales;
- impairment of long-lived assets, including goodwill, and any loss on restaurant closures;
- general economic conditions;
- changes in consumer preferences and competitive conditions; and
- fluctuations in commodity prices.

Our business is also subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season of each fiscal year. As a result, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality and the factors discussed above. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock would likely decrease.

A decline in visitors to any of the retail centers, big box shopping centers or entertainment centers near the locations of our restaurants could negatively affect our restaurant sales.

Our restaurants are primarily located near high activity areas such as retail centers, big box shopping centers and entertainment centers. We depend on high visitor rates at these centers to attract guests to our restaurants. If visitors to these centers decline due to economic conditions, changes in consumer preferences or shopping patterns, changes in discretionary consumer spending or otherwise, our restaurant sales could decline significantly and adversely affect our results of operations.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued services and performance of our key management personnel, particularly Mike Snyder, our chief executive officer and president; Jim McCloskey, our chief financial officer; Mike Woods, our senior vice president of franchise development; Bob Merullo, our senior vice president of restaurant operations; Todd Brighton, our vice president of development; and Eric Houseman, our vice president of restaurant operations. Our future performance will depend on our ability to motivate and retain these and other executive officers and key team members, particularly regional operations directors, restaurant general managers and kitchen managers. Competition for these employees is intense. The loss of the services of members of our senior management or key team members or the inability to attract additional qualified personnel as needed could materially harm our business.

Approximately 83.5% of our company-owned restaurants are located in the Western United States and, as a result, we are sensitive to economic and other trends and developments in this region.

We currently operate a total of 76 company-owned restaurants in the Western United States. As a result, we are particularly susceptible to adverse trends and economic conditions in this region, including its labor market. In addition, given our geographic concentration, negative publicity regarding any of our restaurants in the Western United States could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, energy shortages or increases in energy prices, droughts or earthquakes or other natural disasters.

Our future success depends on our ability to protect our proprietary information.

Our business prospects will depend in part on our ability to develop favorable consumer recognition of the Red Robin name and logo. Although Red Robin®, America's Gourmet Burgers & Spirits® and Mad Mixology® are federally registered trademarks with the United States Patent and Trademark Office and in Canada, our trademarks could be infringed in ways that leave us without redress, such as by imitation. In addition, we rely on trade secrets and proprietary know-how, and we employ various methods, to protect our concepts and recipes. However, such methods may not afford adequate protection and others could independently develop similar know-how or obtain access to our know-how, concepts and recipes. Moreover, we may face claim(s) of infringement that could interfere with our use of our proprietary know-how, concepts, recipes or trade secrets. Defending against such claim(s) may be costly and, if we are unsuccessful, we may be prevented from continuing to use such proprietary information in the future and/or be forced to pay damages. We do not maintain confidentiality and non-competition agreements with all of our executives, key personnel or suppliers. In the event competitors independently develop or otherwise obtain access to our know-how, concepts, recipes or trade secrets, the appeal of our restaurants could be reduced and our business could be harmed. We franchise our system to various franchisees. While we try to ensure that the quality of our brand and compliance with our operating standards, and the confidentiality thereof are maintained by all of our franchisees, we cannot assure that our franchisees will avoid actions that adversely affect the reputation of Red Robin or the value of our proprietary information.

Risks related to the food service industry

Changes in consumer preferences or discretionary consumer spending could negatively impact our results of operations.

Our restaurants feature burgers, salads, soups, appetizers, other entrees such as rice bowls and pasta, desserts and our signature Mad Mixology® alcoholic and non-alcoholic beverages in a family-friendly atmosphere. Our continued success depends, in part, upon the popularity of these foods and this style of casual dining. Shifts in consumer preferences away from this cuisine or dining style could materially adversely affect our future profitability. The restaurant industry is characterized by the continual introduction of new concepts and is subject to rapidly changing consumer preferences, tastes and eating and purchasing habits. While burger consumption in the United States has grown over the past 20 years, the demand may not continue to grow or taste trends may change. Our success will depend in part on our ability to anticipate and respond to changing consumer preferences, tastes and eating and purchasing habits, as well as other factors affecting the food service industry, including new market entrants and demographic changes. Also, our success depends to a significant extent on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. Adverse changes in these factors could reduce guest traffic or impose practical limits on pricing, either of which could harm our results of operations.

Health concerns relating to the consumption of beef or other food products could affect consumer preferences and could negatively impact our results of operations.

Like other restaurant chains, consumer preferences could be affected by health concerns about the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality, illness and injury generally, such as negative publicity concerning e-coli, “mad cow” or “foot-and-mouth” disease, publication of government or industry findings concerning food products served by us, or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. This negative publicity may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the negative publicity by changing our concept or our menu, we may lose guests who do not prefer the new concept or menu, and may not be able to attract a sufficient new guest base to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended guests as a result of a concept change and may not be able to compete successfully against those competitors. A decrease in guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business.

Labor shortages could slow our growth or harm our business.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified, high energy team members. Qualified individuals of the requisite caliber and number needed to fill these positions are in short supply in some areas. The inability to recruit and retain these individuals may delay the planned openings of new restaurants or result in high employee turnover in existing restaurants, which could harm our business. Additionally, competition for qualified team members could require us to pay higher wages to attract sufficient team members, which could result in higher labor costs. Most of our employees are paid in accordance with minimum wage regulations. Accordingly, any increase, whether state or federal, could have a material adverse impact on our business.

We are subject to extensive government laws and regulations that govern various aspects of our business. Our operations and our ability to expand and develop our restaurants may be adversely affected by these laws and regulations, which could cause our revenues to decline and adversely affect our growth strategy.

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. While at this time we have been able to obtain and maintain the necessary governmental licenses, permits and approvals, the failure to maintain these licenses, permits and approvals, including food and liquor licenses, could adversely affect our operating results. Difficulties or failure in obtaining the required licenses and approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may suspend or deny renewal of our food and liquor licenses if they determine that our conduct does not meet applicable standards or if there are changes in regulations.

We are subject to “dram shop” statutes in some states. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. A judgment substantially in excess of our insurance coverage could harm our financial condition.

Various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum wage requirements, overtime pay, unemployment tax rates, workers’ compensation rates, citizenship requirements and sales taxes. Additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits, increased tax reporting and tax payment requirements for employees who receive gratuities, or a reduction in the number of states that allow tips to be credited toward minimum wage requirements could harm our operating results.

The Federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for, disabled persons.

We are also subject to federal regulation and state laws that regulate the offer and sale of franchises and aspects of the licensor-licensee relationship. Many state franchise laws impose restrictions on the franchise agreement, including limitations on non-competition provisions and the termination or non-renewal of a franchise. Some states require that franchise materials be registered before franchises can be offered or sold in the state.

A significant increase in litigation could have a material adverse effect on our results of operations, financial condition and business prospects.

As a participant in the restaurant industry, we are sometimes the subject of complaints or litigation from guests alleging illness, injury or other food quality, health or operational concerns. Adverse publicity resulting from these allegations could harm our restaurants, regardless of whether the allegations are valid or whether we are liable. In fact, we are subject to the same risks of adverse publicity resulting from these sorts of allegations even if the claim actually involves one of our franchisees. Further, employee claims against us based on, among other things, discrimination, harassment or wrongful termination may divert our financial and management resources that would otherwise be used to benefit the future performance of our operations.

Our success depends on our ability to compete effectively in the restaurant industry.

Competition in the restaurant industry is increasingly intense. We compete on the basis of the taste, quality, and price of food offered, guest service, ambiance and overall dining experience. We believe that our operating concept, attractive dining value and quality of food and guest service, enable us to differentiate ourselves from our competitors. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets, to well-capitalized national restaurant companies. In addition, we compete with other restaurants and with retail establishments for real estate. Many of our competitors are well-established in the casual dining market segment and some of our competitors have substantially greater financial, marketing and other resources than do we.

Risks related to this offering

Our stock price may be volatile, and you may not be able to resell your shares at or above the initial offering price.

Prior to this offering, there has been no public market for shares of our common stock. An active trading market may not develop or be sustained following completion of this offering. The initial public offering price of the shares has been determined by negotiations between us and representatives of the underwriters. The price may bear no relationship to the price at which our common stock will trade upon completion of this offering. The stock market has experienced significant price and volume fluctuations. Fluctuations or decreases in the trading price of our common stock may adversely affect your ability to trade your shares.

In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert management’s attention and resources that would otherwise be used to benefit the future performance of our operations.

Approximately 66.5% of our outstanding shares of common stock may be sold into the public market in the future, which could depress our stock price.

The 5,038,000 shares of common stock sold in this offering (and any shares sold upon exercise of the underwriters’ over-allotment option) will be freely tradable without restriction under the Securities Act of 1933, except for any shares held by our officers, directors and principal stockholders. After this offering, approximately an additional 614,927 shares of common stock will be freely tradable under Rule 144(k) under the Securities Act, unless any of such shares are purchased by one of our existing affiliates as that term is defined in Rule 144 under the Securities Act.

After this offering, approximately 9,372,727 shares of our common stock which are outstanding and held by our affiliates will be subject to the volume and other limitations of Rule 144 or Rule 701 under the Securities Act. Our directors, officers and a significant number of our stockholders, who together will own a majority of the shares of our common stock outstanding after this offering, have entered or will enter into lock-up agreements prior to the consummation of this offering under which the holders have agreed or will agree not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus without the prior written consent of Banc of America Securities LLC. In its sole discretion and at any time without notice, Banc of America Securities LLC may release all or any portion of the shares subject to the lock-up agreements. All of the shares subject to lock-up agreements will become available for sale in the public market immediately following expiration of the 180 day lock-up period, subject (to the extent applicable) to the volume and other limitations of Rule 144 or Rule 701 under the Securities Act. After expiration of the lock-up period, some of our stockholders have the contractual right to require us to register 9,679,435 shares of common stock for future sale.

In addition, following this offering, we intend to file registration statements under the Securities Act registering an aggregate of 1,980,156 shares under our option plans and up to 300,000 shares under employee stock purchase plan. Shares included in such registration statements will be available for sale in the public market immediately after the 180-day lock-up period expires.

Sales of substantial amounts of common stock in the public market, or the perception that these sales may occur, could adversely affect the prevailing market price of our common stock and our ability to raise capital through a public offering of our equity securities. See “Shares Eligible for Future Sale” which describes the circumstances under which restricted shares or shares held by affiliates may be sold in the public market.

Some of our stockholders could exert significant influence or control over us, and may not make decisions that are in the best interests of all stockholders.

After this offering, Quad-C, through its affiliates, will own approximately 28.7% of our outstanding common stock, Skylark Co., Ltd., through its affiliates, will own approximately 15.7% of our outstanding common stock, Mike Snyder will own approximately 9.9% of our outstanding common stock, and our officers, directors and principal stockholders, i.e., stockholders holding more than 5.0% of our common stock, including Quad-C, Skylark and Mike Snyder, will together hold approximately 58.0% of our outstanding common stock. See “Principal and Selling Stockholders.” These stockholders, acting individually or together, could exert significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions and, acting together, could control any vote of our stockholders requiring approval of a majority of our outstanding common stock. This concentration of ownership may delay or prevent a change in control of our company, and make some transactions more difficult or impossible without the support of these stockholders. Also, the interests of these stockholders may not always coincide with our interests as a company or the interest of other stockholders. Accordingly, Quad-C, Skylark, Mike Snyder and these other stockholders could cause us to enter into transactions or agreements that you would not approve. Our certificate of incorporation and bylaws require a supermajority vote of our stockholders, i.e. 66 $^{2}/_{3}$%, only to remove a director or to amend our bylaws or specified provisions of our certificate of incorporation.

As a new investor, you will experience immediate and substantial dilution in net tangible book value.

Investors purchasing shares of our common stock in this offering will pay more for their shares than the amount paid by existing stockholders who acquired shares prior to this offering. Accordingly, if you purchase common stock in this offering, you will incur immediate dilution in pro forma net tangible book value of approximately $10.33 per share. If the holders of outstanding options or warrants exercise these options or warrants, you will incur further dilution. See “Dilution.”

Provisions in Delaware law and our charter may prevent or delay a change of control, even if that change of control may be beneficial to our stockholders.

We are subject to the Delaware anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent Delaware corporations from engaging in business combinations with any stockholder, including all affiliates and associates of the stockholder, who owns 15.0% or more of the corporations' outstanding voting stock, for three years following the date that the stockholder acquired 15.0% or more of the corporation's voting stock unless specified conditions are met, as further described in "Description of Capital Stock."

Prior to the consummation of this offering, we intend to amend and restate our certificate of incorporation and bylaws. Our amended and restated certificate of incorporation and bylaws will include a number of provisions that may deter or impede hostile takeovers or changes of control of management. These provisions will:

- authorize our board of directors to establish one or more series of preferred stock, the terms of which can be determined by the board of directors at the time of issuance;
- divide our board of directors into three classes of directors, with each class serving a staggered three-year term. As the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may maintain the composition of the board of directors;
- not provide for cumulative voting in the election of directors unless required by applicable law. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors;
- provide that a director may be removed from our board of directors only for cause, and then only by a supermajority vote of the outstanding shares;
- require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;
- state that special meetings of our stockholders may be called only by the chairman of the board of directors, our chief executive officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10.0% of our outstanding voting stock;
- provide that the chairman or other person presiding over any stockholder meeting may adjourn the meeting whether or not a quorum is present at the meeting;
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- provide that certain provisions of our certificate of incorporation can be amended only by supermajority vote of the outstanding shares, and that our bylaws can be amended only by supermajority vote of the outstanding shares or our board of directors;
- allow our directors, not our stockholders, to fill vacancies on our board of directors; and
- provide that the authorized number of directors may be changed only by resolution of the board of directors.

Your ability to seek potential recoveries from Arthur Andersen LLP with respect to claims arising from its work on The Snyder Group Company financial statements may be significantly limited.

Investors' ability to seek potential recoveries from Arthur Andersen LLP related to any claim such investors may assert as a result of the work performed by Arthur Andersen on The Snyder Group Company financial statements included in this prospectus may be significantly limited.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “should” or “will” or the negative of these terms or other comparable terminology.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including those relating to:

- our ability to achieve and manage our planned expansion;
- our ability to raise capital in the future;
- the ability of our franchisees to open and manage new restaurants;
- our franchisees’ adherence to our practices, policies and procedures;
- changes in the availability and costs of food;
- potential fluctuation in our quarterly operating results due to seasonality and other factors;
- the continued service of key management personnel;
- the concentration of our restaurants in the Western United States;
- our ability to protect our name and logo and other proprietary information;
- changes in consumer preferences or consumer discretionary spending;
- health concerns about our food products;
- our ability to attract, motivate and retain qualified team members;
- the impact of federal, state or local government regulations relating to our team members or the sale of food and alcoholic beverages;
- the impact of litigation; and
- the effect of competition in the restaurant industry.

Other risks, uncertainties and factors, including those discussed under “Risk Factors,” could cause our actual results to differ materially from those projected in any forward-looking statements we make.

We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of 4,000,000 shares of common stock in this offering of $54.7 million, based on an assumed initial public offering price of $15.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of shares by the selling stockholders.

We intend to use the net proceeds of this offering as follows:

- approximately $47.9 million to repay the outstanding amounts under our term loan with Finova Capital Corporation, including a prepayment penalty of 4.0%, which bears interest at 9.9% and has a maturity date of September 1, 2012.
- approximately $3.5 million to repay the outstanding amounts under our revolving credit facility with U.S. Bank National Association, which bears interest at the London Interbank Offered Rate, or LIBOR, plus 3.0% and has a maturity date of March 31, 2003. We entered into this revolving credit facility for working capital and capital expenditure needs.
- approximately $1.6 million to repay the outstanding amounts under one real estate loan with Captec Financial Group, including a prepayment penalty of 1.0%, which bears interest at 10.1% and has a maturity date of January 1, 2012.
- approximately $0.5 million to repay the outstanding amounts under two equipment loans with Captec and one equipment loan with General Electric Capital Corporation, which bear interest at rates ranging from 9.6% to 11.6% and have maturity dates between April 1, 2003 and December 1, 2003.

We intend to use the balance of the net proceeds for general corporate purposes, which may include the opening of new restaurants or the acquisition of existing restaurants from our franchisees if we receive sufficient proceeds. We regularly consider acquisitions of existing restaurants from our franchisees in the ordinary course of business, although we currently have no agreements regarding any future acquisitions. Pending use for general corporate purposes, opening new restaurants or making acquisitions, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities. We cannot predict whether the proceeds invested will yield a favorable return. We have entered into a commitment letter with Wachovia Bank, N.A. to enter into a new revolving credit facility of up to $35.0 million contingent upon the consummation of this offering. Wachovia Bank, N.A. has committed $15.0 million to the new revolving credit facility and intends to use its reasonable best efforts to syndicate the remainder of the credit facility to other lenders. If the net proceeds from this offering are less than $54.7 million, we intend to borrow from our new revolving credit facility to fund the transactions listed above and for general corporate purposes, including opening new restaurants and the acquisition of existing restaurants from franchisees. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for additional information regarding our sources and uses of capital.

DIVIDEND POLICY

We did not declare or pay any cash dividends on our common stock in 2000 or 2001. We currently anticipate that we will retain any future earnings for the operation and expansion of our business. Accordingly, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future.

The credit agreement relating to our new revolving credit facility will prohibit us from declaring or paying any dividends or making any other distributions on any shares of our capital stock, subject to specified exceptions.

Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents and capitalization as of April 21, 2002:

- on an actual basis; and
- on an as adjusted basis to give effect to the application of the net proceeds from the sale of 4,000,000 shares of our common stock offered by us in this offering at an offering price of $15.00 per share, less the underwriting discount and estimated offering expenses payable by us, and the use of proceeds from this offering to repay approximately $47.9 million of indebtedness under our term loan, including related fees, approximately $3.5 million of indebtedness under our revolving credit facility and approximately $2.1 million of indebtedness under one real estate and three equipment loans, including related fees. This information also reflects the non-cash charge to earnings of approximately $2.2 million from the write-off of deferred loan fees and the cash charge of approximately $1.9 million from pre-payment penalty fees related to the repayment of the indebtedness noted above.

You should read the following table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	April 21, 2002	
	Actual	As Adjusted
		(unaudited)
	(in thousands)	
Cash and cash equivalents	$ 6,547	$ 10,695
Current portion of long-term debt(1)(2)	$ 4,660	$ 4,660
Long-term debt(1)(2)	74,083	25,462
Stockholders’ equity:		
Common stock, $.001 par value: 50,000,000 shares authorized, 10,090,485 shares issued and outstanding, actual; 50,000,000 shares authorized, 14,090,485 shares issued and outstanding, as adjusted(3)	10	14
Additional paid-in capital	53,745	108,391
Deferred compensation	(269)	(269)
Note receivable from stockholder/officer	(600)	(600)
Retained earnings (accumulated deficit)	(3,411)	(7,460)
Total stockholders’ equity	49,475	100,076
Total capitalization	$ 128,218	$ 130,198

(1) We have entered into a commitment letter with Wachovia Bank, N.A. to enter into a new revolving credit facility of up to $35.0 million contingent upon the consummation of this offering. Wachovia Bank, N.A. has committed $15.0 million to the new revolving credit facility and intends to use its reasonable best efforts to syndicate the remainder of the credit facility to other lenders.

(2) Long-term debt includes capital leases.

(3) Excludes 1,443,086 shares of common stock issuable on the exercise of stock options outstanding as of April 21, 2002.

DILUTION

Our net tangible book value at April 21, 2002 was approximately $15.2 million. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of April 21, 2002. Our pro forma net tangible book value as of April 21, 2002 would have been approximately $65.8 million, or approximately $4.67 per share, after giving effect to the sale of shares of common stock offered by us at an assumed initial public offering price of $15.00 and our receipt of the estimated net proceeds, after deducting estimated underwriting discounts and estimated offering expenses, and repayment of approximately $47.9 million of indebtedness under our term loan, including related fees, approximately $3.5 million of indebtedness under our revolving credit facility and approximately $2.1 million of indebtedness under one real estate and three equipment loans, including related fees. This information also reflects the non-cash charge to earnings of approximately $2.2 million from the write-off of deferred loan fees and the cash charge of approximately $1.9 million from pre-payment penalty fees related to the indebtedness noted above. This represents an immediate increase in net tangible book value of $3.16 per share to existing stockholders and an immediate dilution of $10.33 per share to new investors purchasing shares of common stock in this offering. If the initial public offering price is higher or lower, the dilution to investors will be greater or less. The following table illustrates this per share dilution.

Assumed initial public offering price per share		$15.00
Net tangible book value per share as of April 21, 2002	$1.51	
Increase in net tangible book value per share attributable to new investors	3.16	
Pro forma net tangible book value per share after the offering		4.67
Dilution per share to new investors		$10.33

The following table summarizes the difference between the existing stockholders and new stockholders with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid. The information is presented as of April 21, 2002 and is based on an assumed initial public offering price of $15.00 per share, before deducting the underwriting discount and commissions and our estimated offering expenses:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	10,090,485	71.6%	$ 55,425,757	48.0%	$ 5.49
New stockholders	4,000,000	28.4	60,000,000	52.0	15.00
Total	14,090,485	100.0%	$ 115,425,757	100.0%	

The foregoing discussion and tables are based upon the number of shares actually issued and outstanding on April 21, 2002 and exclude 2,410,862 shares of common stock reserved for issuance under our stock option plans, of which 1,443,086 shares were subject to options outstanding on April 21, 2002, at a weighted average exercise price of $5.82 per share, and 300,000 shares of common stock reserved for issuance under our employee stock purchase plan. The issuance of common stock in connection with these plans will result in further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table contains selected consolidated financial and operating data. Statement of income and balance sheet data for each fiscal year is derived from our consolidated financial statements, which have been audited by Deloitte & Touche LLP, independent auditors. Statement of income and balance sheet data for each fiscal quarter is derived from our unaudited consolidated financial statements which, in the opinion of management, reflects all adjustments necessary to present fairly, in accordance with accounting principles generally accepted in the United States, the information for the periods. The operating results for any interim period are not necessarily indicative of results for a full year. You should read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Fiscal Year Ended					First Quarter Ended	
	1997	1998	1999	2000(1)	2001	2001	2002
	(in thousands, except per share data, restaurant-related data and footnotes)					(unaudited)	
Statement of Income Data:							
Revenue:							
Restaurant	$108,604	$110,953	$121,430	$180,413	$214,963	$ 64,572	$ 76,317
Franchise royalties and fees	7,078	7,193	8,249	8,247	9,002	2,822	2,757
Rent revenue	36	69	333	510	520	120	127
Total revenues	115,718	118,215	130,012	189,170	224,485	67,514	79,201
Costs and expenses:							
Restaurant operating costs:							
Cost of sales	28,471	27,679	30,159	43,945	50,914	15,952	17,897
Labor	40,261	39,089	43,504	64,566	74,854	22,639	27,428
Operating	16,550	17,382	19,429	27,960	33,195	10,317	11,412
Occupancy	6,433	6,379	7,998	11,519	14,785	4,167	5,282
Restaurant closures and impairment	6,342	140	(330)	1,302	36	—	—
Depreciation and amortization	7,135	5,008	5,394	8,065	10,491	3,152	3,599
General and administrative	10,974	13,578	13,434	17,116	16,845	4,545	5,712
Franchise development	870	1,982	2,508	3,386	3,704	1,610	1,362
Pre-opening costs	159	—	771	2,506	921	5	517
Total costs and expenses	117,195	111,237	122,867	180,365	205,745	62,387	73,208
Income (loss) from operations	(1,477)	6,978	7,145	8,805	18,740	5,127	5,993
Other (income) expense:							
Interest expense	4,785	4,460	4,156	6,482	7,850	2,500	2,217
Interest income	(127)	(282)	(186)	(742)	(746)	(208)	(100)
Other expense	559	595	391	191	190	63	25
Total other expense	5,217	4,773	4,361	5,931	7,294	2,355	2,143
Income (loss) before income taxes	(6,694)	2,205	2,784	2,874	11,446	2,772	3,850
(Provision) benefit for income taxes(2)	(1,899)	33	1,596	12,557	(3,722)	(901)	(1,374)
Net income (loss)(2)	$ (8,593)	$ 2,238	$ 4,380	$ 15,431	$ 7,724	$ 1,871	$ 2,476
Net income (loss) per common share(2)							
Basic	$ (3.02)	$ 0.78	$ 1.47	$ 2.07	$ 0.77	$ 0.19	$ 0.25
Diluted	$ (3.02)	$ 0.78	$ 1.47	$ 2.07	$ 0.75	$ 0.18	$ 0.23
Shares used in computing net income per common share							
Basic	2,847	2,903	2,971	7,444	10,085	10,076	10,090
Diluted	2,847	2,903	2,971	7,444	10,236	10,170	10,650
Selected Operating Data:							
System-wide restaurants open at end of period	128	131	144	164	182	165	186
Company-owned restaurants open at end of period	46	44	46	73	77	72	88
Average annual comparable company-owned restaurant sales(3)	$ 2,309	$ 2,496	$ 2,664	$ 2,890	$ 3,020		
Comparable company-owned restaurant sales increase(3)	9.2%	4.9%	5.8%	6.9%	2.0%	2.6%	0.4%
Restaurant-level operating profit(4)	$ 16,889	$ 20,424	$ 20,340	$ 32,423	$ 41,215	$ 11,497	$ 14,298
EBITDA(5)	5,658	11,986	12,539	16,870	29,231	8,279	9,592
EBITDA margin(5)	4.9%	10.1%	9.6%	8.9%	13.0%	12.3%	12.1%

	Fiscal Year					First Quarter	
	1997	1998	1999	2000	2001	2001	2002
						(unaudited)	
Balance Sheet Data:							
Cash and cash equivalents	$ 3,414	$ 5,645	$ 5,176	$ 8,317	$ 18,992	$ 14,083	$ 6,547
Total assets(1)	52,555	55,338	70,706	141,184	154,441	148,759	154,188
Long-term debt, including current portion	58,418	57,509	66,120	78,413	80,087	82,330	78,743
Total stockholders' equity (deficit)(1)	(22,248)	(19,291)	(14,861)	39,773	46,978	41,401	49,475

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(1) In May 2000, we purchased all of the outstanding capital stock of one of our franchisees, The Snyder Group Company, for approximately $23.7 million plus liabilities assumed of $20.0 million, thereby acquiring 14 restaurants and significantly changing our capital structure. See the financial statements of The Snyder Group Company and the related notes included elsewhere in this prospectus.

In addition, in May 2000, we sold 4,310,344 shares of our common stock to affiliates of Quad-C, a private equity firm, for $25.0 million. The proceeds were used to pay off debentures and promissory notes, as well as pay down bank debt and fund new restaurant construction.

(2) Net income in 1999 included a benefit for income taxes of $1.6 million and net income in 2000 included a benefit for income taxes of $12.6 million, in each case as a result of the reversal of previously recorded deferred tax asset valuation allowance. Due to our improved profitability, the deferred tax asset valuation allowance was reversed because it became more likely than not that the deferred tax asset would be realized in the future.

(3) Company-owned restaurants become comparable in the first period following the first full fiscal year of operations. For example, the restaurants we acquired in May 2000 from The Snyder Group Company are included in comparable company-owned restaurants in 2002.

(4) We define restaurant-level operating profit to be restaurant sales minus restaurant operating costs, excluding restaurant closures and impairment costs. It does not include general and administrative costs, depreciation and amortization, franchise development costs and pre-opening costs. Although restaurant-level operating profit is a measure commonly used in the restaurant industry to evaluate operating performance, it is not a measurement determined in accordance with generally accepted accounting principles and should not be considered in isolation or as an alternative to net income, cash flows generated by operations, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity. Restaurant-level operating profit as presented may not be comparable to other similarly titled measures of other companies. The following table sets forth our calculation of restaurant-level operating profit:

						First Quarter Ended	
	1997	1998	1999	2000	2001	2001	2002
			(in thousands)			(unaudited)	
Restaurant revenue	$ 108,604	$ 110,953	$ 121,430	$ 180,413	$ 214,963	$ 64,572	$ 76,317
Cost of sales	28,471	27,679	30,159	43,945	50,914	15,952	17,897
Labor	40,261	39,089	43,504	64,566	74,854	22,639	27,428
Operating	16,550	17,382	19,429	27,960	33,195	10,317	11,412
Occupancy	6,433	6,379	7,998	11,519	14,785	4,167	5,282
Restaurant-level operating profit	$ 16,889	$ 20,424	$ 20,340	$ 32,423	$ 41,215	$ 11,497	$ 14,298

(5) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA is another measure commonly used to evaluate operating performance. EBITDA is not a measurement determined in accordance with generally accepted accounting principles and should not be considered in isolation or as an alternative to net income, cash flows generated by operations, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity. EBITDA as presented may not be comparable to other similarly titled measures of other companies. EBITDA margin is calculated as EBITDA divided by total revenues. The following table sets forth our calculation of EBITDA:

						First Quarter Ended	
	1997	1998	1999	2000	2001	2001	2002
			(in thousands)			(unaudited)	
Income (loss) from operations	($ 1,477)	$ 6,978	$ 7,145	$ 8,805	$ 18,740	$ 5,127	$ 5,993
Depreciation and amortization	7,135	5,008	5,394	8,065	10,491	3,152	3,599
EBITDA	$ 5,658	$ 11,986	$ 12,539	$ 16,870	$ 29,231	$ 8,279	$ 9,592

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus.

Overview

We currently own and operate 91 casual dining restaurants under the name "Red Robin® America's Gourmet Burgers & Spirits®" in 12 states and have 98 additional restaurants operating under franchise or license agreements in 18 states and Canada. During our more than 33 years of operating history, we believe we have developed strong brand awareness and demonstrated the appeal of our concept in a wide variety of geographic areas.

We opened our first restaurant in 1969 in Seattle, Washington. In 1985, Skylark Co., Ltd., a large publicly-traded restaurant company based in Japan, purchased a majority interest in our company. At that time, we had seven company-owned restaurants and 15 franchised restaurants.

During the 11-year period following Skylark's investment, we expanded aggressively by opening or purchasing from franchisees 56 restaurants, but we were unable to establish a focused and consistent concept or profitable operating results at our restaurants. As a result, we experienced slower sales growth than our franchised restaurants. In an attempt to improve our operating results, we implemented several changes in management but were unable to find a successful management team. During this period, we also closed seven of these 56 restaurants.

By 1995, average restaurant sales at company-owned restaurants were 22.6% below our United States franchisees' average restaurant sales. Despite the problems we were experiencing, our leading franchisee at the time, The Snyder Group Company, led by Mike Snyder, continued to expand profitably by staying focused on our core menu of gourmet burgers and emphasizing superior guest service, dining experience and profitability.

In 1996, Skylark named Mike Snyder to the position of president, and granted him a minority ownership interest in our company. Under his leadership, we implemented a number of turnaround initiatives, including strengthening our gourmet burger concept, recruiting a new management team, upgrading management information systems, streamlining in-restaurant operations and improving guest service. We closed ten under performing restaurants between 1996 and March 1998. These closures resulted in costs and impairments of approximately $14.5 million in 1996 and $6.3 million in 1997, and enabled us to improve our infrastructure and to focus on successful locations.

In 1997 and 1998, we did not open any new restaurants. Instead, we continued to focus on operational improvements, the development of our service-oriented culture, and improving the profitability at our existing restaurants. During this time, our operating results improved from a loss before income taxes of $22.2 million in 1996 to income before incomes taxes of $2.2 million in 1998. In 1999, we opened four new restaurants, and our income before income taxes grew to $2.8 million.

In May 2000, we completed a recapitalization of our company. We acquired Mike Snyder's 14-unit franchise company, The Snyder Group Company, in exchange for equity, cash and notes. In addition, Quad-C, a private equity firm whose principals have substantial experience in the restaurant industry, made an equity investment of $25.0 million in our company through its affiliates. As a result of these two transactions, Quad-C became our largest stockholder and Mike Snyder acquired a significant equity interest in our company.

In the last three years, we have instituted a disciplined growth plan and focused largely on further penetrating our existing markets. During 2000 and 2001, we opened 21 new company-owned restaurants. In 2002, we have opened five new company-owned restaurants, relocated one restaurant and intend to open approximately five additional new company-owned restaurants. In addition, we acquired ten franchised restaurants in January and February.

In early 2001, we implemented a number of initiatives which were focused on improving our performance in each major cost category on our operating statement. The improvement in restaurant operating results, combined with these cost savings, improved EBITDA margins from 8.9% in 2000 to 13.0% in 2001.

Overall, as a result of the turnaround initiatives and the growth and cost-control strategies implemented by Mike Snyder beginning in 1996, we have increased average restaurant sales at our comparable company-owned restaurants from $2.1 million in 1995 to $3.0 million in 2001, and have expanded comparable restaurant-level operating profit margins from 15.8% in 1995 to 20.5% in 2001.

Critical accounting policies and estimates

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts. The estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that are believed to be reasonable.

Accounts significantly impacted by estimates and assumptions include, but are not limited to, franchise receivables, assets held for sale, fixed asset lives, goodwill, intangible assets, income taxes, self-insurance and worker’s compensation reserves, closed restaurant reserves, utilities, and contingencies and litigation.

We believe that the following represent our more critical accounting policies and estimates used in the preparation of our consolidated financial statements, although not inclusive.

Revenue recognition—franchise operations

We typically grant franchise rights to private operators for a term of 20 years, with the right to extend the term for an additional ten years if certain conditions are satisfied. We provide management expertise, training, pre-opening assistance and restaurant operating assistance in exchange for area development fees, franchise fees, license fees and royalties of 3.0% to 4.0% of the franchised restaurant’s adjusted sales. Franchise fee revenue from individual franchise sales is recognized when all material obligations of and initial services to be provided by us have been performed, generally upon the opening of the restaurant. Until earned, these fees are accounted for as deferred revenue, a liability. Area franchise fees are dependent upon the number of restaurants in the territory as are our obligations under the area franchise agreement. Consequently, as our obligations are met, area franchise fees are recognized proportionately with the opening of each new restaurant. Royalties are accrued as earned, and are calculated each period based on the reporting franchisee’s adjusted sales.

Valuation of long-lived assets

In accordance with Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, management assesses for impairment both those assets for which management has committed to a plan of disposal and long-lived assets to be held and used in continuing operations whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is performed on a restaurant-by-restaurant basis. We will recognize an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such assets. The measurement for such an impairment loss is then based on the fair value of the asset as determined by discounted cash flows or appraisals, if available. As of December 30, 2001, we had not adopted the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Effective in 2002, we will adopt Financial Accounting Standards No. 142 and Financial Accounting Standards No. 144. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Recent Accounting Developments.”

Income taxes

We recognize deferred tax liabilities and assets for the future consequences of events that have been recognized in our consolidated financial statements or tax returns. In the event the future consequences of differences between financial reporting bases and tax bases of our assets and liabilities result in a deferred tax asset, an evaluation is made of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Measurement of the deferred items is based on enacted tax laws. Due to our improved profitability, in 1999 and 2000, we reversed a valuation allowance on deferred taxes due to management's conclusion that it was more likely than not that we would realize a net operating loss carryforward to offset future taxes. As of December 31, 2000, we had no valuation allowance for deferred taxes.

Our accounting policies are more fully described in note 1 to our consolidated financial statements included elsewhere in this prospectus.

Financial definitions

Revenues. Our revenues are comprised of restaurant sales, franchise royalties and fees and rent. Our restaurant sales are comprised almost entirely of food and beverage sales. In 2001, alcohol sales represented 9.5% of restaurant sales. Our franchise royalties and fees represented 4.0% of our total revenues in 2001 and consisted primarily of royalty income and initial franchise fees. Rent revenue is comprised of rents received from leasing properties to franchisees and others. In 2001, rent revenue accounted for 0.2% of our total revenues.

Cost of sales; labor; operating; and occupancy. Cost of sales is composed of food and beverage expenses. The components of cost of sales are variable and increase with sales volume. Labor costs include direct hourly and management wages, bonuses, taxes and benefits for restaurant team members. Operating and occupancy costs include restaurant supplies, marketing costs, fixed rent, percentage rent, common area maintenance charges, utilities, real estate taxes, repairs and maintenance and other related costs. Operating and occupancy costs generally increase with sales volume but decline as a percentage of restaurant sales.

Depreciation and amortization. Depreciation and amortization principally includes depreciation on capital expenditures for restaurants. Pre-opening costs, which are expensed as incurred, consist of the costs of hiring and training the initial work force, travel, the cost of food and beverages used in training, marketing costs and other direct costs related to the opening of a new restaurant.

General and administrative. General and administrative costs include all corporate and administrative functions that support existing operations and provide infrastructure to facilitate our future growth. Components of this category include management, supervisory and staff salaries, bonuses and related employee benefits, travel, information systems, training, corporate rent, professional and consulting fees and marketing costs.

Franchise development. Franchise development costs include corporate and administrative costs that support franchise operations, including menu development, site selection and prototype plans for new restaurants, marketing services and analysis, franchise team member training, equipment and food purchasing and franchise bad debts. These costs also include ongoing franchise site visits, meetings and conferences, financial studies and analysis and other operational assistance as necessary.

Comparable restaurant sales. In calculating company-owned comparable restaurant sales, restaurants become comparable in the first period following the first full fiscal year of operations. As of May 19, 2002, we had 70 company-owned restaurants that met this criteria.

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Results of operations

Our operating results for 1999, 2000 and 2001 and for the first quarters of 2001 and 2002 are expressed as a percentage of total revenues below, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant sales:

	Fiscal Year Ended			First Quarter Ended	
	1999	2000	2001	2001	2002
				(unaudited)	
Revenue:					
Restaurant	93.4%	95.4%	95.8%	95.6%	96.3%
Franchise royalties and fees	6.3	4.3	4.0	4.2	3.5
Rent revenue	0.3	0.3	0.2	0.2	0.2
Total revenues	100.0	100.0	100.0	100.0	100.0
Costs and expenses:					
Restaurant operating costs:					
Cost of sales	24.8	24.4	23.7	24.7	23.5
Labor	35.8	35.8	34.8	35.0	35.9
Operating	16.0	15.5	15.4	16.0	15.0
Occupancy	6.6	6.4	6.9	6.5	6.9
Restaurant closures and impairment	(0.3)	0.7	—	—	—
Total restaurant operating costs	82.9	82.8	80.8	82.2	81.3
Depreciation and amortization	4.1	4.3	4.7	4.7	4.5
General and administrative	10.3	9.0	7.5	6.7	7.2
Franchise development	1.9	1.8	1.6	2.4	1.7
Pre-opening costs	0.6	1.3	0.4	—	0.7
Income from operations	5.5	4.7	8.3	7.6	7.6
Other (income) expense:					
Interest expense	3.2	3.4	3.5	3.7	2.8
Interest income	(0.1)	(0.4)	(0.3)	(0.3)	(0.1)
Other expense	0.3	0.1	0.1	0.1	—
Total other expense	3.4	3.1	3.2	3.5	2.7
Income before income taxes	2.1	1.5	5.1	4.1	4.9
(Provision) benefit for income taxes	1.2	6.6	(1.7)	(1.3)	(1.7)
Net income	3.4%	8.2%	3.4%	2.8%	3.1%

First quarter 2002 (16 weeks) compared to first quarter 2001 (16 weeks)

Total revenues. Total revenues increased by $11.7 million, or 17.3%, to $79.2 million in the first quarter of 2002 from $67.5 million in the first quarter of 2001 due to an $11.7 million increase in restaurant sales. The increase in restaurant sales was due to $6.9 million in sales derived from ten restaurants acquired from two franchisees in the first quarter of 2002, $4.7 million in additional sales from a full quarter of operations for the six restaurants that opened in 2001, $978,000 of sales from new restaurants opened in the first quarter of 2002 and $241,000 from comparable restaurant sales increases of 0.4%. We believe that the economic downturn in the telecommunications and technology industries adversely affected sales in three of our markets, Seattle, Portland and Denver, which combined represented 47.5% of our comparable sales. Excluding these markets, comparable restaurant sales increased 2.8%. These increases in restaurant sales were offset by one restaurant closure in the first quarter of 2002 and two restaurant closures in the first quarter of 2001 that contributed $1.1 million more in revenue in the first quarter of 2001 than in the first quarter of 2002. The increase in comparable restaurant sales was driven by an increase in the average guest check of approximately 0.4% compared to the first quarter of 2001. Franchise royalties and fees and rent revenue did not significantly change in the first quarter of 2002 from the first quarter of 2001. Franchise revenues were unchanged because royalty revenue from new franchise openings was offset by our acquisition of franchise restaurants early in the year.

Cost of sales. Cost of sales increased by $1.9 million, or 12.2%, to $17.9 million in the first quarter of 2002 from $16.0 million in the first quarter of 2001 due to more restaurants being operated during the first quarter of 2002. Cost of sales as a percentage of restaurant sales decreased to 23.5% in the first quarter of 2002 from 24.7% in the first quarter of 2001. This reduction in cost of sales as a percentage of restaurant sales was primarily a result of management initiatives to reduce the cost of food and beverage products, reduce waste in our restaurants and improve margins.

Labor. Labor expenses increased by $4.8 million, or 21.2%, to $27.4 million in the first quarter of 2002 from $22.6 million in the first quarter of 2001 due to more restaurants being operated in the first quarter of 2002. Labor expenses as a percentage of restaurant sales increased to 35.9% in the first quarter of 2002 from 35.0% in the first quarter of 2001. This increase was due in part to minimum wage increases in the first quarter of 2002 in Washington and California and turnover and training of team members at the restaurants acquired in the first quarter of 2002.

Operating. Operating expenses increased by $1.1 million, or 10.6%, to $11.4 million in the first quarter of 2002 from $10.3 million in the first quarter of 2001 due to more restaurants being operated in the first quarter of 2002. Operating expenses as a percentage of restaurant sales decreased to 15.0% in the first quarter of 2002 from 16.0% in the first quarter of 2001. Utility expenses were 2.5% of restaurant sales in the first quarter of 2002, 0.6% lower than in the first quarter of 2001. In 2001, utility expenses were higher all over the country, but especially in Southern California, where electricity costs were significantly higher during the first quarter of 2001. We were also able to lower service and maintenance costs 0.3% through managing repairs, maintenance and service contracts more closely. We also lowered supply costs.

Occupancy. Occupancy expenses increased by $1.1 million, or 26.8%, to $5.3 million in the first quarter of 2002 from $4.2 million in the first quarter of 2001 due to more restaurants being operated in the first quarter of 2002. Occupancy expenses as a percentage of sales increased 0.4% to 6.9% in the first quarter of 2002 from 6.5% in the first quarter of 2001, primarily from higher occupancy expenses on new restaurants opened in 2002 and 2001 as well as the restaurants acquired in the first quarter 2002.

Restaurant closures and impairment. There were no impairments in either the first quarter of 2002 or the first quarter of 2001.

Depreciation and amortization. Depreciation and amortization increased $447,000, or 14.2%, to $3.6 million in the first quarter of 2002 from $3.2 million in the first quarter of 2001. The increase was primarily due to the additional depreciation on six new restaurants opened during 2001, 10 restaurants acquired in the first quarter of 2002 and two new restaurants opened in the first quarter of 2002. Depreciation and amortization expenses as a percentage of total revenues decreased 0.2% to 4.5% in the first quarter of 2002 from 4.7% in the first quarter of 2001. The decrease was primarily due to the change in accounting rules that resulted in ceasing amortization of goodwill at the beginning of 2002.

General and administrative. General and administrative expenses increased by $1.2 million, or 25.7%, to $5.7 million in the first quarter of 2002 from $4.5 million in the first quarter of 2001. General and administrative expenses as a percentage of total revenues increased 0.5% to 7.2% in the first quarter of 2002 from 6.7% in the first quarter of 2001. These increases were primarily a result of a large marketing program in the first quarter of 2002, which included television and radio spots in many parts of the country. There was no related marketing program in 2001. The increase in marketing costs was 0.5% of sales.

Franchise development. Franchise development expenses decreased $248,000 to $1.4 million in the first quarter of 2002 from $1.6 million in the first quarter of 2001 and decreased 0.7% as a percentage of total revenues to 1.7% in the first quarter of 2002 from 2.4% in the first quarter of 2001. The decrease in franchise development expenses was primarily due to the write-off of receivables from one franchisee who filed for bankruptcy in the first quarter of 2001.

Pre-opening costs. Pre-opening costs increased by $511,000 to $516,000 in the first quarter of 2002 from $5,000 in the first quarter of 2001. The increase was due in part to opening two new restaurants in the first quarter of 2002. In addition, because pre-opening costs are expensed as incurred, we had increased pre-opening expenses in the first quarter of 2002 relating to two additional restaurants opened early in the second quarter of 2002. We did not open any restaurants in the first quarter of 2001.

Interest expense. Interest expense decreased by $283,000, or 11.3%, to $2.2 million in the first quarter of 2002 from $2.5 million in the first quarter of 2001. The decrease was due primarily to a reduction in the interest rate of our variable rate debt, which was an average interest rate of 5.3% in the first quarter of 2002 compared to 8.7% in the first quarter of 2001. In addition, we had a 1.2% reduction in average outstanding debt during the first quarter of 2002 compared to the first quarter of 2001.

Interest income. Interest income decreased by $108,000 to $100,000 in the first quarter of 2002 from $208,000 in the first quarter of 2001. Interest income as a percentage of total revenues was 0.1% in the first quarter of 2002 and 0.3% in the first quarter of 2001. The decreases were directly related to the average cash balance, 38.9% lower in the first quarter of 2002 than in the first quarter of 2001. In addition, lower interest rates reduced our earnings on those balances.

Other expense. Other expense, which principally includes holding costs associated with real estate held for sale, decreased $38,000, or 59.7%, to $25,000 in the first quarter of 2002 from $63,000 in the first quarter of 2001. The reduction was primarily related to the disposal of two properties during 2001, which represented nearly half the total real estate held for sale in the first quarter of 2001. Other expense as a percentage of total revenues was 0.0% in the first quarter of 2002 and 0.1% in the first quarter of 2001.

Income before income taxes. Income before income taxes increased $1.1 million, or 38.9%, to $3.9 million in the first quarter of 2002 from $2.8 million in the first quarter of 2001. Income before income taxes as a percentage of total revenues was 4.9% in the first quarter of 2002 and 4.1% in the first quarter of 2001. The increases were due to increased sales and proportionately lower operating costs and the combination of general and administrative costs and franchise development cost.

Provision for income taxes. The provision for income taxes increased $473,000, or 52.5%, to $1.4 million in the first quarter of 2002 from $901,000 in the first quarter of 2001. The provision for income taxes as a percentage of total revenues was 1.7% in the first quarter of 2002 and 1.3% in the first quarter of 2001. The increases were due primarily to a higher effective tax rate resulting from our increased earnings.

Net income. Net income increased by $604,000, or 32.3%, to $2.5 million in the first quarter of 2002 from $1.9 million in the first quarter of 2001. Net income as a percentage of total revenues increased to 3.1% in the first quarter of 2002 from 2.8% in the first quarter of 2001.

2001 (52 Weeks) compared to 2000 (53 Weeks)

Total revenues. Total revenues increased by $35.3 million, or 18.7%, to $224.5 million in 2001 from $189.2 million in 2000 due to a $34.6 million increase in restaurant sales and a $765,000 increase in franchise and other revenues. The increase in restaurant sales was due to $17.6 million in additional sales from a full year of operations for the 15 restaurants that opened in 2000, $15.7 million in restaurant sales from a full year of operations for the 13 remaining restaurants we acquired from The Snyder Group Company in 2000 and operated all of 2001, $6.7 million in sales derived from the six restaurants opened in 2001 and $2.5 million from comparable company-owned restaurant sales increases of 2.0%. This increase in restaurant sales was offset by two restaurant closures in 2001 and two restaurant closures in 2000 that contributed an additional $3.7 million more in revenue in 2000 than in 2001. The increase in restaurant sales was also offset by the impact of one additional week of sales in 2000 that contributed $4.3 million of revenue in 2000. The increase in comparable company-owned restaurant sales was driven primarily by an increase in the average guest check of approximately 2.3% compared to 2000, which was partially offset by a 0.3% decrease in guest counts. Franchise royalties and fees growth was due to 16 new franchise restaurants that opened in 2001 and a full year of operations for the ten franchise restaurants that opened in 2000. Rent revenue did not significantly change in 2001 from 2000.

Cost of sales. Cost of sales increased by $7.0 million, or 15.9%, to $50.9 million in 2001 from $43.9 million in 2000 due primarily to more restaurants being operated in 2001. Cost of sales as a percentage of restaurant sales decreased to 23.7% in 2001 from 24.4% in 2000. This reduction in cost of sales as a percentage of restaurant sales was primarily a result of management initiatives to reduce the cost of food and beverage products and improve margins. The reduction of food and beverage costs was achieved by lowering product cost through favorable price changes, entering into more favorable long-term contracts and decreasing waste in the restaurants.

Labor. Labor expenses increased by $10.3 million, or 15.9%, to $74.9 million in 2001 from $64.6 million in 2000 due primarily to more restaurants being operated in 2001. Labor expenses as a percentage of restaurant sales decreased to 34.8% in 2001 from 35.8% in 2000. The decrease in labor as a percentage of restaurant sales was primarily due to management focus and the use of new tools to reduce excessive staffing levels, particularly at the new restaurants opened in 2000 and 2001. This reduction was achieved despite minimum wage increases in 2001 in Washington and California that increased our average hourly wage.

Operating. Operating expenses increased by $5.2 million, or 18.7%, to $33.2 million in 2001 from $28.0 million in 2000 due primarily to more restaurants being operated in 2001. Operating expenses as a percentage of restaurant sales decreased to 15.4% in 2001 from 15.5% in 2000. Utility expenses were 3.1% of restaurant sales in 2001, 0.8% higher than 2000. Utility expenses were higher all over the country, but especially in Southern California, where electricity costs were significantly higher during certain periods in 2001 compared to 2000. To offset these uncontrollable increases, we were able to lower service and maintenance costs 0.5% through managing repairs, maintenance and service contracts more closely. We also lowered supply costs.

Occupancy. Occupancy expenses increased by $3.3 million, or 28.4%, to $14.8 million in 2001 from $11.5 in 2000 due primarily to more restaurants being operated in 2001. Occupancy expenses as a percentage of sales increased to 6.9% in 2001 from 6.4% in 2000, primarily from higher occupancy expenses on new restaurants opened in 2001.

Restaurant closures and impairment. Loss on restaurant closures and impairment decreased by $1.3 million to $36,000 in 2001 from $1.3 million in 2000. The loss in 2000 was due to the write down of one under performing restaurant. The loss in 2001 represented residual write down of value related to this restaurant.

Depreciation and amortization. Depreciation and amortization increased $2.4 million, or 30.1%, to $10.5 million in 2001 from $8.1 million in 2000. The increase was primarily due to the additional depreciation on 15 new restaurants opened during 2000, additional depreciation on 13 restaurants acquired in 2000 and operated for a full year in 2001 and six new restaurants opened in 2001.

General and administrative. General and administrative expenses decreased by $271,000, or 1.6%, to $16.8 million in 2001 from $17.1 million in 2000. We had lower general and administrative expenses in 2001 due to a reduction in the number of managers in training from 2000. General and administrative expenses as a percentage of total revenues decreased to 7.5% in 2001 from 9.0% in 2000. This decrease was primarily a result of increasing the number of our restaurants without proportionately increasing general and administrative costs or administrative personnel.

Franchise development. Franchise development expenses increased $318,000 to $3.7 million in 2001 from $3.4 million in 2000 but decreased as a percentage of total revenues to 1.6% in 2001 from 1.8% in 2000. The increase in franchise development expenses was due to franchisees opening 16 new restaurants in 2001 compared to opening ten restaurants in 2000.

Pre-opening costs. Pre-opening costs decreased by $1.6 million to $921,000 in 2001 from $2.5 million in 2000. The decrease was due to opening six new restaurants in 2001 compared to opening 15 restaurants in 2000. Pre-opening costs per restaurant decreased to $154,000 in 2001 from $167,000 in 2000. This decrease was primarily due to opening restaurants in established markets, thereby incurring lower travel costs for trainers.

Interest expense. Interest expense increased by $1.4 million, or 21.1%, to $7.9 million in 2001 from $6.5 million in 2000. The increase was primarily a result of new debt issued to GE Capital Corporation in 2001 for restaurants built in both 2001 and 2000, as well as higher interest rates under our credit facility with Finova Capital Corporation beginning in September 2000.

Interest income. Interest income increased by $4,000 to $746,000 in 2001 from $742,000 in 2000. Interest income as a percentage of total revenues was 0.3% in 2001 and 0.4% in 2000.

Other expense. Other expense, which principally includes holding costs associated with real estate held for sale, did not significantly change in 2001 from 2000. Other expense as a percentage of total revenues was 0.1% in both 2001 and 2000.

Income before income taxes. Income before income taxes increased $8.6 million, or 298.3%, to $11.4 million in 2001 from $2.9 million in 2000 due to increased sales and proportionately lower operating and general and administrative costs.

(Provision) benefit for income taxes. Income tax expense in fiscal year 2001 was 32.5% of income before taxes. In 2000, we realized a significant tax benefit due to the reversal of $13.1 million of valuation allowances previously provided against deferred tax assets. These valuation allowances were recorded in prior years when we were not profitable. Upon returning to profitability, we reversed these valuation allowances. This resulted in a tax benefit of $12.6 million in 2000 compared to a tax expense of $3.7 million in 2001.

Net income. Net income decreased by $7.7 million, or 50.0%, to $7.7 million in 2001 from $15.4 million in 2000. Net income as a percentage of total revenues decreased to 3.4% in 2001 from 8.2% in 2000. The decrease was due primarily to the income tax benefit of $12.6 million in 2000 and the income tax expense of $3.7 million in 2001. This tax effect was offset by an increase in income before income taxes of $8.6 million.

2000 (53 Weeks) compared to 1999 (52 Weeks)

Total revenues. Total revenues increased by $59.2 million, or 45.5%, to $189.2 million in 2000 from $130.0 million in 1999. The increase was due almost entirely to the increase in restaurant sales of $59.0 million. The increase in restaurant sales was due to $27.7 million in additional restaurant sales from the 14 restaurants we acquired from The Snyder Group Company in 2000, $16.5 million in sales from 15 restaurants that opened in 2000, $4.3 million from the impact of an additional operating week in 2000, $5.7 million of additional sales from four restaurants opened in 1999 and $7.5 million from comparable company-owned restaurant sales increases of 6.9%. This increase in restaurant revenue was offset by two restaurant closures in 2000 and two restaurant closures in 1999 that contributed $2.7 million more in 1999 than in 2000. The increase in comparable company-owned restaurant sales was driven by an increase in guest counts of approximately 4.8% and an increase in the average guest check of approximately 2.1% compared to 1999. Franchise royalties and fees were unchanged in 2000 from 1999. Rent revenue increased $177,000 to $510,000 in 2000 from $333,000 in 1999. We entered into two new leases of properties to franchisees in 1999. Those leases were in effect for all of 2000, but only seven months of 1999, which accounted for the increase.

Cost of sales. Cost of sales increased by $13.8 million, or 45.7%, to $43.9 million in 2000 from $30.2 million in 1999 due primarily to more restaurants being operated in 2000. Cost of sales as a percentage of restaurant sales decreased to 24.4% in 2000 from 24.8% in 1999. This reduction was primarily a result of management initiatives to reduce the cost of food and beverage products and improve margins.

Labor. Labor expenses increased by $21.1 million, or 48.4%, to $64.6 million in 2000 from $43.5 million in 1999 due primarily to more restaurants being operated in 2000. Labor expenses as a percentage of restaurant sales was unchanged at 35.8% in 2000 and 1999. Labor remained unchanged as a percentage of restaurant sales despite large increases in the minimum wage in Washington and Oregon. We made improvements in managing labor costs, which offset the minimum wage increase.

Operating. Operating expenses increased by $8.5 million, or 43.9%, to $28.0 million in 2000 from $19.4 million in 1999 due primarily to more restaurants being operated in 2000. Operating expenses as a percentage of restaurant sales decreased to 15.5% in 2000 from 16.0% in 1999. The decrease was due primarily to better control of services and maintenance costs at the restaurants.

Occupancy. Occupancy expenses increased by $3.5 million, or 44.0%, to $11.5 million in 2000 from $8.0 million in 1999 due primarily to more restaurants being operated in 2000. Occupancy expenses as a percentage of restaurant sales decreased to 6.4% in 2000 from 6.6% in 1999. Occupancy expenses were slightly lower as a percentage of restaurant sales due primarily to additional sales from the extra week in 2000, with no related increase in base rent.

Restaurant closures and impairment. Loss on restaurant closures and impairments increased by $1.6 million to $1.3 million in 2000 from a gain of $330,000 in 1999. The increase was due to the write down of one under performing restaurant in 2000, while we had a change in the estimate of restaurant closure costs in 1999.

Depreciation and amortization. Depreciation and amortization increased $2.7 million, or 49.5%, to $8.1 million in 2000 from $5.4 million in 1999. The increase was due to the depreciation on 15 new restaurants opened during 2000, the depreciation on the 14 restaurants acquired in 2000, and the additional depreciation on the four new restaurants opened in 1999 and operated for a full year in 2000.

General and administrative. General and administrative expenses increased by $3.7 million, or 27.4%, to $17.1 million in 2000 from $13.4 million in 1999. This increase was due to costs incurred to support 15 restaurants opened in 2000 and the acquisition of 14 restaurants in 2000. General and administrative expenses as a percentage of total revenues decreased to 9.0% in 2000 from 10.3% in 1999. This decrease was primarily a result of increasing the number of our restaurants without proportionately increasing general and administrative costs or administrative personnel.

Franchise development. Franchise development expenses increased $878,000 to $3.4 million in 2000 from $2.5 million in 1999, but decreased as a percentage of total revenues to 1.8% in 2000 from 1.9% in 1999. The increase in franchise development expenses was partially due to adding team members and designating selected managers on a full time basis to assist our franchisees in improving their results. In 2000, we also wrote off almost $600,000 more of bad debt expense of royalties and rent than in 1999 due to one franchisee, who became insolvent.

Pre-opening costs. Pre-opening costs increased by $1.7 million to $2.5 million in 2000 from $771,000 in 1999. The increase was due to opening 15 new restaurants in 2000 compared to opening four restaurants in 1999. Pre-opening costs per restaurant opening decreased to $167,000 in 2000 from $192,500 in 1999. In 1999, we opened our first new restaurant since 1996. In 2000, we implemented cost controlling efforts based on our experience in 1999.

Interest expense. Interest expense increased by $2.3 million, or 56.0%, to $6.5 million in 2000 from $4.2 million in 1999. The increase was primarily a result of new debt issued in 2000 for 15 new restaurants built, and a full year of interest on debt issued to build four new restaurants in 1999.

Interest income. Interest income increased by $556,000 in 2000 to $742,000 of income in 2000 from $186,000 in 1999. Interest income as a percentage of total revenues was 0.4% in 2000 and 0.1% in 1999. The increase in income was due to an increase in interest income of $556,000 due to earnings from the cash infused by Quad-C's equity investment through its affiliates.

Other expense. Other expense, which principally includes holding costs associated with real estate held for sale, decreased by $200,000 in 2000 to $191,000 from $391,000 in 1999. Other expense as a percentage of total revenues decreased to 0.1% in 2000 from 0.3% in 1999.

Income before income taxes. Income before income taxes increased $90,000, or 3.2%, to $2.9 million in 2000 from $2.8 million in 1999. Increased restaurant sales and proportionately lower operating and general and administrative expenses in 2000 were offset by higher pre-opening costs from more new restaurant openings than in 1999.

(Provision) benefit for income taxes. We recognized a benefit for income tax of $12.6 million in 2000 and $1.6 million in 1999, despite having earned income before income taxes. These benefits differed from the amount of income tax expense that would be expected by applying statutory tax rates because of the reversal of previously recorded valuation allowances related to our deferred income tax assets. These valuation allowances were recorded in prior years when we were not profitable. Upon returning to profitability, we reversed these valuation allowances. The reversals totalled $13.1 million in 2000 and $2.3 million in 1999.

Net income. Net income increased by $11.1 million, or 252.3%, to $15.4 million in 2000 from $4.4 million in 1999. Net income as a percentage of total revenues increased to 8.2% in 2000 from 3.4% in 1999. The increase was primarily due to the increased income tax benefit received in 2000 as a result of the reduction in the previously provided deferred income tax asset valuation allowance.

Potential fluctuations in quarterly results and seasonality

Our quarterly operating results may fluctuate significantly as a result of a variety of factors, including:

- the timing of new restaurant openings and related expenses;
- restaurant operating costs and pre-opening costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter;
- labor availability and costs for hourly and management personnel;
- profitability of our restaurants, especially in new markets;
- franchise development costs;
- increases and decreases in comparable restaurant sales;
- impairment of long-lived assets, including goodwill, and any loss on restaurant closures;
- general economic conditions;
- changes in consumer preferences and competitive conditions; and
- fluctuations in commodity prices.

Our business is also subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season. As a result, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality and the factors discussed above. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock would likely decrease.

Liquidity and capital resources

Our primary liquidity and capital requirements have been for new restaurant construction, working capital and general corporate needs. Prior to May 2000, our main sources of liquidity and capital were cash flows from operations and borrowings under three lines of credit with Shinsei Bank, Ltd., Dai-Ichi Kangyo Bank, and Fiji Bank, Ltd. In May 2000, Quad-C, through its affiliates, made a $25.0 million equity investment in our company, which we used to pay down part of the lines of credit. At that same time, we issued $9.2 million in debentures and approximately $1.8 million in promissory notes for the purchase of The Snyder Group Company.

In September 2000, we entered into a $50.0 million term loan with Finova Capital Corporation that allowed us to retire the remaining balances of the three revolving lines of credit described above and to retire the debentures and promissory notes issued in conjunction with our acquisition of The Snyder Group Company. The Finova Capital term loan bears interest at a fixed rate of 9.9% and is paid in equal monthly installments with the final payment due September 1, 2012. As of December 30, 2001, we had $47.3 million outstanding and as of April 21, 2002, we had $46.5 million outstanding with Finova Capital. The term loan requires that we maintain a minimum debt service coverage ratio, a minimum fixed charge coverage ratio and a maximum leverage ratio. The Finova Capital term loan also contains covenants that, subject to specified exceptions, restrict our ability to incur additional debt, incur liens, engage in mergers or acquisitions, incur contingent liabilities, make dividends or distributions, pay indebtedness for borrowed money, make investments or loans and sell assets, develop new restaurants, change facility sites, sell or transfer assets, amend specified agreements, acquire additional properties, issue capital stock and engage in transactions with affiliates. As of the date of this prospectus, we are in compliance with all financial ratios and covenants. The Finova Capital term loan is secured by a first security priority in substantially all of our assets and a pledge of the common stock of Red Robin International, Inc. We intend to use approximately $47.9 million of the proceeds of this offering to repay the outstanding amounts under this term loan, including a 4.0% pre-payment penalty.

Between December 2000 and April 2000, we entered into real estate and equipment loans with General Electric Capital Corporation. As of December 30, 2001, we had $9.9 million outstanding and as of April 21, 2002, we had $9.6 million outstanding under the real estate and equipment loans with GE Capital. These loans bear interest at the 30-day commercial paper rate, plus 3.5% and mature between May 1, 2006 and April 1, 2016 and are secured by buildings, equipment and improvements on ten properties. In addition, from time to time, we have entered into real estate and equipment loans with various parties, including Captec Financial Group, with interest rates ranging from 2.1% to 13.4% and having varying maturity dates. As of December 30, 2001, we had $22.9 million outstanding and as of April 21, 2002, we had $22.3 million outstanding under these real estate and equipment loans with various parties, including Captec. The GE Capital loans, together with certain of our other loans, require that we maintain a maximum debt to net worth ratio, a minimum debt coverage ratio, a minimum EBITDA ratio and a maximum funded indebtedness ratio. As of the date of this prospectus, we are in compliance with all of these financial ratios. We intend to use approximately $2.1 million of the proceeds of this offering to repay the outstanding amounts under one real estate loan with Captec, two equipment loans with Captec and one equipment loan with GE Capital, including related fees.

In April 2002, we entered into a credit agreement with U.S. Bank National Association for a revolving credit facility of up to $10.0 million to fund short-term capital needs for the construction and acquisition of new restaurants and for general corporate purposes, including working capital. Amounts up to the maximum may be borrowed and repaid through March 31, 2003, when all outstanding principal will be due. Loans outstanding under the U.S. Bank credit agreement bear interest at LIBOR plus 3.0%, payable monthly, in arrears. As of April 21, 2002, we had not made any borrowings under the U.S. Bank revolving credit facility. As of May 19, 2002, we had $3.5 million of indebtedness outstanding under this credit facility. Within 30 days following the consummation of this offering, we are required to reduce the outstanding balance on this loan to zero for a period of 60 days. Collateral for the U.S. Bank credit agreement is a first lien on personal tangible and intangible property at 14 of our restaurant sites, including a fee interest in three properties to be developed in 2002. If we do not reduce the outstanding balance on this loan to zero by June 30, 2002, we are required to provide U.S. Bank with leasehold mortgages, if requested. The U.S. Bank credit agreement requires that we maintain a maximum cash flow leverage ratio and a minimum fixed charge coverage ratio as well as a minimum tangible net worth requirement and a liquidity requirement. This credit agreement also contains covenants that, subject to specified exceptions, restrict our ability to incur debt, create various liens, engage in mergers or acquisitions, sell assets, and enter into non-subordinated debt. As of the date of this prospectus, we are in compliance with all of these financial ratios and covenants. We intend to use approximately $3.5 million of the proceeds of this offering to repay the outstanding amounts under this revolving credit facility and to terminate this facility upon repayment.

In June 2002, we entered into a commitment letter with Wachovia Bank, N.A. to enter into a new revolving credit facility of up to $35.0 million, contingent upon the consummation of this offering, to fund the construction and acquisition of new restaurants and for general corporate purposes, including working capital. Wachovia Bank, N.A. has committed $15.0 million to the new revolving credit facility and intends to use its reasonable best efforts to syndicate the remainder of the facility to other lenders. At our option, loans outstanding under this new revolving credit facility will bear interest at (i) Wachovia's base rate in effect from time to time plus the applicable base rate margin in effect at such time, or (ii) LIBOR plus the applicable LIBOR margin in effect at such time. The applicable margins will be determined on the basis of a specified leverage ratio. Interest on base rate loans will be payable quarterly in arrears. Interest on LIBOR loans will be payable at the end of each applicable interest period or at three-month intervals, if earlier. This facility will be guaranteed by us and each of our subsidiaries and secured by a first priority pledge of all of the outstanding capital stock of our subsidiaries and by a first priority lien on all or substantially all of our tangible and intangible assets. The credit agreement will require that we comply with a maximum level of capital expenditures restriction and that we maintain a maximum leverage ratio, to be initially set at 2.0 to 1.0, as well as a minimum fixed charge coverage ratio, to be initially set at 1.15 to 1.0, and a minimum EBITDA requirement, to be initially set at $29.0 million and 90.0% of the prior twelve month period. The facility will require mandatory repayment from the proceeds of non-ordinary course asset sales which are not reinvested in the business and insurance proceeds and the issuance of specified debt. The credit agreement will also contain covenants that, subject to specified exceptions, restrict our ability to engage in mergers, acquisitions, joint ventures or sale-leaseback transactions, sell assets, incur indebtedness, make investments, create liens, pay dividends with respect to our capital stock and such other additional negative covenants as may be deemed reasonably necessary by Wachovia. The credit documentation will also contain customary borrowing conditions.

For the first quarter of 2002, net cash flows from operating activities were $5.8 million compared to $5.0 million in the first quarter of 2001, or an increase of $0.8 million. This increase was primarily due to higher net income. Net cash provided by operating activities was $25.5 million in 2001 and $8.1 million in 2000. The approximate $17.4 million increase from 2000 to 2001 was primarily a result of improved restaurant operating profits obtained while holding corporate overhead costs steady. Furthermore, we experienced a reduction in accounts and income taxes receivable, an increase in trade payables and accrued liabilities, and lower non-cash adjustments to net income in 2001 that also led to increased cash flows in 2001.

In the first quarter of 2002, we used $17.0 million of net cash for investing activities compared to $3.3 million in the first quarter of 2001. During the first quarter of 2002, we spent $10.1 million for the acquisition of Western Franchise Development, Inc. and the acquisition of the assets of three restaurants from Le Carnassier LLC, and $6.8 million for new restaurant construction, remodels and capital maintenance, while in the first quarter of 2001, we used approximately $3.4 million for new restaurant construction, remodels and capital maintenance. Net cash used by investing activities was $16.4 million in 2001 and $20.9 million in 2000, and primarily related to capital expenditures for new restaurant openings, remodels of existing restaurants and the acquisition of The Snyder Group Company. In 2001, we opened six new restaurants for a total cost of $9.0 million, spent approximately $4.5 million on remodels and capital maintenance, paid $1.6 million for new 2000 restaurant construction and spent $3.7 million on restaurants that will open in 2002. In 2000, we opened 15 new restaurants at a cost of approximately $16.0 million and spent approximately $4.0 million on remodels and capital maintenance. We also paid $12.5 million for the purchase of The Snyder Group Company in 2000. Throughout the remainder of 2002, we expect to spend approximately $13.0 to $14.0 million for new restaurants and approximately $3.0 to $4.0 million for restaurant remodels and capital maintenance.

Net cash used by financing activities was $1.3 million in the first quarter of 2002, primarily for payments on long-term debt. Net cash provided by financing activities was $4.0 million in the first quarter of 2001, from borrowings of $5.4 million, offset by $1.4 million of debt repayments. Net cash provided by financing activities was $1.5 million in 2001 and $15.9 million in 2000. Net financing activities in 2001 consisted primarily of new borrowings from GE Capital offset by principal payments on long-term debt and capital leases. Net financing activities in 2000 were the result of the equity investment by affiliates of Quad-C of $25.0 million for 4,310,344 shares of our common stock, net of offering costs of $1.3 million, offset primarily by the retirement of the debentures and promissory notes issued in conjunction with The Snyder Group Company acquisition, and debt issuance costs for the term loan with Finova Capital. As a condition of the Quad-C transaction, we converted $4.5 million in debt owed to an affiliate of Skylark Co., Ltd. into 775,862 shares of our common stock.

We believe that the net proceeds of this offering, together with anticipated cash flows from operations and funds available from our new revolving credit facility, will be sufficient to satisfy our working capital and capital expenditure requirements, including restaurant construction, pre-opening costs and potential initial operating losses related to new restaurant openings, for at least the next 12 months. Beyond the next 12 months, additional financing may be needed to fund working capital and capital expenditures. Changes in our operating plans, acceleration of our expansion plans, lower than anticipated sales, increased expenses or other events, including those described in "Risk Factors," may cause us to need to seek additional debt or equity financing on an accelerated basis. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could negatively impact our growth plans and our financial condition and results of operations. Additional equity financing may be dilutive to the holders of our common stock and debt financing, if available, may involve significant cash payment obligations and covenants and/or financial ratios that restrict our ability to operate our business.

Other commitments

	Payments Due As of December 30, 2001				
Contractual Obligations	**Total**	**Less Than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
			(in thousands)		
Term loan and notes payable(1)	$ 66,835	$ 4,635	$ 9,499	$ 12,366	$ 40,336
Capital lease obligations	13,252	443	795	1,098	10,917
Operating lease obligations	107,315	9,676	18,654	16,300	62,686

(1) We intend to repay $48.1 million of this amount with the net proceeds of this offering.

We are obligated under non-cancelable operating leases for our restaurants and our administrative offices. Lease terms are generally for ten to 20 years with renewal options and generally require us to pay a proportionate share of real estate taxes, insurance, common area and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds.

In accordance with the provisions of our employment agreement with Mike Snyder, in the event his employment is terminated due to death or disability, his estate has the right to require us to purchase common stock held by the estate having a fair market value of up to $5.0 million. If this event occurs, we may use our $5.0 million supplemental key man life insurance policy on Mike Snyder's life to purchase the common stock from his estate. This commitment is not reflected in the table above. See "Management—Employment Agreements" for additional information.

Quantitative and qualitative disclosures about market risk

Our market risk exposures are related to our cash, cash equivalents and investments. We invest our excess cash in highly liquid short-term investments with maturities of less than one year. We anticipate using our net proceeds from this offering, after repayment of our debt obligations described in "Use of Proceeds," in similar investment grade and highly liquid investments. These investments are not held for trading or other speculative purposes. Changes in interest rates affect the investment income we earn on our investments and, therefore, impact our cash flows and results of operations.

Under our secured term loans with GE Capital and revolving credit facility with U.S. Bank, we are exposed to market risk from changes in interest rates on borrowing, which bear interest at the 30-day commercial paper rate plus a fixed percentage of 3.0% to 3.5% under our loans with GE Capital and LIBOR plus a fixed percentage of 3.0% under our revolving credit facility with U.S. Bank. As of May 19, 2002, we had $3.5 million outstanding under our U.S. Bank revolving credit facility. At the end of 2001, we had $12.1 million of variable rate borrowings under our loans with GE Capital and a 1.0% change in the 30-day commercial paper rate would have resulted in interest expense fluctuating approximately $121,000. At the end of 2000, we had $7.6 million of variable rate borrowings under our loans with GE Capital and a 1.0% change in the 30-day commercial paper rate would have resulted in interest expense fluctuating approximately $76,000. Our new revolving credit facility will also be subject to market risk because it will bear interest at variable rates. Primarily all of our transactions are conducted, and our accounts are denominated, in United States dollars. Accordingly, we are not exposed to foreign currency risk.

Many of the food products purchased by us are affected by changes in weather, production, availability, seasonality and other factors outside our control. In an effort to control some of this risk, we have entered into some fixed price purchase commitments with terms of no more than a year. In addition, we believe that almost all of our food and supplies are available from several sources, which helps to control food commodity risks.

Inflation

The primary inflationary factors affecting our operations are food and labor costs. A large number of our restaurant personnel are paid at rates based on the applicable minimum wage, and increases in the minimum wage directly affect our labor costs. Many of our leases require us to pay taxes, maintenance, repairs, insurance and utilities, all of which are generally subject to inflationary increases. We believe inflation has not had a material impact on our results of operations in recent years.

Recent accounting developments

On January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," or SFAS No. 133. SFAS No. 133 requires derivative instruments to be recorded in the balance sheet at their fair value with changes in fair value being recognized in earnings unless specific hedge accounting criteria are met. Our adoption of SFAS No. 133 in 2001 did not have a material impact on our consolidated financial statements.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations," or SFAS No. 141. SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001, eliminates the pooling-of-interests method and modifies the criteria for recognition of intangible assets. We have adopted SFAS No. 141 effective in 2002. Such adoption will result in the reclassification of the carrying amount of workforce assets totaling approximately $1.2 million to goodwill.

Beginning in 2002, we are subject to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," or SFAS No. 142. Under the provisions of SFAS No. 142, goodwill and certain intangibles are no longer subject to amortization over their estimated useful life. Instead, impairment is assessed on an annual basis (or more frequently if circumstances indicate a possible impairment) by means of a fair-value-based test. In 2001, we had approximately $1.7 million in amortization related to goodwill and certain intangibles. Beginning in 2002, these assets will no longer be amortized. We have not assessed the impact of the initial impairment analysis on our consolidated financial statements.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” or SFAS No. 144. SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of and also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. SFAS No. 144 is effective beginning in 2002, and did not have a material impact on our consolidated financial statements.

In April 2002, FASB issued SFAS 145 “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections”. SFAS No. 145 provides new guidance on the criteria used to classify debt extinguishments as extraordinary items and requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective beginning in 2003. The effect to our consolidated financial statements of adopting this standard, if any, has not yet been determined.

BUSINESS

Overview

We are a casual dining restaurant chain focused on serving an imaginative selection of high quality gourmet burgers in a family-friendly atmosphere. We currently own and operate 91 restaurants in 12 states, and have 98 additional restaurants operating under franchise or license agreements in 18 states and Canada.

Our menu is centered around our signature product, the gourmet burger, which we make from beef, chicken, veggie, fish, turkey and pot roast and serve in a variety of recipes. We offer a wide selection of toppings for our gourmet burgers, including fresh guacamole, roasted green chilies, honey mustard dressing, grilled pineapple, crispy onion straws, sautéed mushrooms and a choice of six different cheeses. In addition to our gourmet burgers, which accounted for approximately 44.0% of our total food sales in 2001, we also serve an array of other food items that are designed to appeal to a broad group of guests, including salads, soups, appetizers, other entrees such as rice bowls and pasta, desserts and our signature Mad Mixology® alcoholic and non-alcoholic specialty beverages.

Our restaurants are designed to create a fun and memorable dining experience in a family-friendly atmosphere and provide our guests with an exceptional dining value. Our concept attracts a broad guest base by appealing to the entire family, particularly women, teens, kids ages eight to 12 whom we refer to as tweens, and children. Our mascot "Red" appeals to toddlers, and our carousel horses, televisions in the floors, three dimensional art and humorous posters appeal to children of all ages. We believe that our quick meal preparation, upbeat, popular music and enthusiastic team members enable us to achieve high sales productivity and create a sense of activity and excitement. All of our menu items are designed to be delivered to guests in a time-efficient manner, and we have a per person average check of approximately $10.00, which includes alcoholic beverages.

To increase guest traffic, we locate our restaurants near high activity areas such as retail centers, big box shopping centers and entertainment centers. Women, teens and tweens are extremely attractive consumers to real estate developers in these types of locations as they often strive to attract a similar consumer base to ours. We believe that these individuals are the primary visitors to the high activity areas where our restaurants are located and are predominantly responsible for family dining decisions. Recent data from an independent source indicates that approximately 28.0% of our guests are in the highly desirable under 18 consumer segment, which compares to 20% in the major casual dining bar and grill chains and 24% in the major fast food burger competitors. In addition, approximately 57.0% of our guests are females. We believe our unique guest demographic mix provides us with a major competitive advantage over other casual dining chains and fast food restaurants, enhancing our ability to enter into real estate locations favorable to us.

We believe that the appeal of our imaginative, high quality product offering, our fun, family-friendly atmosphere, and our ability to operate in a wide variety of real estate formats and geographic locations have created an attractive restaurant model, providing us with significant opportunities for continued growth through both new company-owned and franchised restaurants.

History

Our history

In 1969, we opened our first restaurant in Seattle, Washington near the University of Washington campus. In 1979, Mike Snyder and his brother, Steve Snyder, opened our first franchised Red Robin restaurant in Yakima, Washington.

In 1985, Skylark Co., Ltd., a large publicly-traded restaurant company based in Japan, purchased a majority interest in our company. At that time, we had seven company-owned restaurants and 15 franchised restaurants. Following Skylark's investment, we expanded aggressively but were unable to establish a focused and consistent concept or profitable operating results at our restaurants. As a result, we experienced slower sales growth than our franchised restaurants. In an attempt to improve our operating results, we implemented several changes in management but were unable to find a successful management team. By 1995, average restaurant sales at company-owned restaurants were 22.6% below our United States franchisees' average restaurant sales. Despite the problems we were experiencing, our leading franchisee at the time, The Snyder Group Company, led by Mike Snyder, continued to expand profitably by staying focused on our core menu of gourmet burgers and emphasizing superior guest service, dining experience and profitability.

In 1996, Skylark named Mike Snyder to the position of president, and granted him a minority ownership interest in our company. Under his leadership, we implemented a number of turnaround initiatives, including strengthening our gourmet burger concept, recruiting a new management team, upgrading management information systems, streamlining in-restaurant operations, improving guest service and closing ten under performing restaurants. As a result of these and other initiatives, we increased the average annual restaurant sales of our comparable company-owned restaurants from $2.1 million in 1995 to $3.0 million in 2001 and expanded comparable restaurant-level operating profit margins from 15.8% in 1995 to 20.5% in 2001.

In 2000, we completed a recapitalization of our company to position our company for future growth. We acquired Mike Snyder's 14-unit franchise company, The Snyder Group Company, in exchange for equity, cash and notes. In addition, Quad-C, a private equity firm whose principals have substantial experience in the restaurant industry, made an equity investment of $25.0 million in our company through its affiliates. As a result of these two transactions, Quad-C became our largest stockholder and Mike Snyder acquired a significant equity interest in our company.

Our corporate history

Red Robin Gourmet Burgers, Inc. was founded in September 1969. From September 1969 until December 1983, Red Robin operated as Red Robin Enterprises, Inc., a Washington corporation, and from December 1983 until June 1990, Red Robin operated as Red Robin International, Inc., a Washington corporation. In June 1990, Red Robin reincorporated in Nevada as Red Robin International, Inc., a Nevada corporation. In January 2001, our management formed Red Robin Gourmet Burgers, Inc., a Delaware corporation, to facilitate a reorganization of the company. The reorganization was consummated in August 2001, and since that time, Red Robin Gourmet Burgers, Inc. has owned all of the outstanding capital stock of Red Robin International, Inc. Our business is operated primarily through Red Robin International, Inc.

Concept and business strategy

Our objective is to be the leading gourmet burger and casual dining restaurant destination. To achieve our objective, we have developed the following strategies.

- *Focus on key guiding principals, or "cornerstones," that drive our success.* In managing our operations, we focus on four cornerstones that we believe are essential to our business. Our four cornerstones are:

  — *Values*. To enhance the dining experience of our guests, we strive to maintain our core values-honor, integrity, seeking knowledge and having fun.

  — *People*. We recognize that our team members are our strongest asset. We seek to hire high quality team members and provide them with comprehensive training programs to ensure that we deliver superior service to our guests.

  — *Burgers*. We strive to be the number one casual dining destination for gourmet burgers in the markets in which we operate.

  — *Time*. We believe in giving our guests the "gift of time." Our service sequence is designed to consistently deliver every menu item in less than nine minutes, which allows guests to enjoy time-efficient lunches and dinners. We strive to provide guests with a 37-minute dining experience at lunch and 42 minutes at dinner.

- *Offer high quality, imaginative menu items.* Our restaurants feature menu items that use imaginative toppings and showcase recipes that capture tastes and flavors that our guests do not typically associate with burgers, salads and sandwiches. We believe the success of our concept is due to our ability to interpret the latest food trends and incorporate them into our gourmet burgers, pastas, rice bowls, appetizers, salads, sandwiches and beverages. Our menu items are cooked to order, using high-quality, fresh ingredients and premium meats and based on unique recipes. One of our signature menu items is our Royal Red Robin Burger, which features a gourmet burger topped with a fried egg, along with bacon, cheese, lettuce, tomato and mayonnaise. We offer a wide selection of toppings for our gourmet burgers, including fresh guacamole, roasted green chilies, honey mustard dressing, grilled pineapple, crispy onion straws, sautéed mushrooms and a choice of six different cheeses. We serve all of our gourmet burgers and sandwiches with “bottomless” french fries.

- *Create a fun, festive and memorable dining experience.* We promote an exciting, high-energy and family-friendly atmosphere by decorating our restaurant interiors with an eclectic selection of celebrity posters, three-dimensional artwork, carousel horses and statues of our mascot “Red.” We enhance the excitement and energy levels in our restaurants by placing televisions in our main dining areas, in our floors and in our bathrooms and by playing upbeat, popular music throughout the day.

- *Provide an exceptional dining value with broad consumer appeal.* We offer generous portions of high quality, imaginative food and beverages for a per person average check of approximately $10.00, which includes alcoholic beverages. We believe this price-to-value relationship differentiates us from our competitors, many of whom have significantly higher average guest checks, and allows us to appeal to a broad base of consumers with a wide range of income levels. In addition to attracting families and groups, our restaurant features seating in the bar area, which is often used by our single diners. Our restaurants are popular during both the day and evening hours as evidenced by our almost equal split between lunch and dinner sales. We believe that our diverse menu further enhances our broad appeal by accommodating groups with different tastes.

- *Deliver strong unit economics.* We believe our company-owned restaurants provide strong unit-level economics. In 2001, our comparable company-owned restaurants generated average sales of approximately $3.0 million and restaurant-level operating profit of approximately $618,000, or 20.5% of total comparable company-owned restaurant sales. The average cash investment cost for our free-standing restaurants opened in 2001 was approximately $1.7 million, excluding pre-opening costs, which averaged approximately $146,000 per restaurant, and land. In 2000, our comparable company-owned restaurants generated average sales of approximately $2.9 million and restaurant-level operating profit of approximately $533,000, or 18.4% of total comparable company-owned restaurant sales. The average cash investment cost for our free-standing restaurants opened in 2000 was approximately $1.8 million, excluding pre-opening costs, which averaged approximately $144,000 per restaurant, and land.

- *Pursue disciplined restaurant and franchise growth.* We are pursuing a disciplined growth strategy, including both company-owned and franchised development. In 2001, we opened six company-owned restaurants and our franchisees opened 16 restaurants and expanded into two new states. In 2002, we have opened five new company-owned restaurants and relocated one restaurant and expect to open an additional five new company-owned restaurants. In addition, our franchisees have opened four new restaurants and we expect our franchisees to open three additional new restaurants. We intend to continue to expand by opening new company-owned and franchised restaurants at a comparable pace in future years. Our site selection criteria focuses on identifying markets, trade areas and other specific sites that are likely to yield the greatest density of desirable demographics, heavy retail traffic and a highly visible site.

- *Build awareness of the Red Robin® America’s Gourmet Burgers & Spirits® brand.* We believe that the Red Robin name has achieved substantial brand equity among our guests and has become well known within our markets for our signature menu items. We intend to strengthen this brand loyalty by continuing to offer new menu items and deliver a consistently memorable guest experience. Additionally, we believe that Red Robin is recognized for the family-friendly, high-energy and exciting atmosphere our restaurants offer. Key brand attributes that we continue to build upon are our high-quality imaginative food items, commitment to guest service and a strong price-to-value relationship.

- *Continue to capitalize on favorable lifestyle and demographic trends.* We believe that we have benefited from several key lifestyle and demographic trends that have helped drive our business. These trends include:

  — *Increase in consumption of food away from home.* The National Restaurant Association estimates that the restaurant industry captured 45.3% of all consumer dollars spent on food in 2000 and projects the restaurant industry's share to increase to 53.0% by 2010. Given our attractive average guest check, family-friendly atmosphere and fun, festive and memorable dining experience, we believe we are well-positioned to continue to benefit from this expected increase in food consumed away from home.

  — *The large and growing teen population.* According to the United States Census Bureau, the teen segment of the population, persons 12 to 19 years old, is expected to grow 36.6% faster than the overall population from 31.6 million in 2000 to 33.6 million by 2005. Given that our concept attracts a significant number of teens and tweens, we believe we will continue to benefit from the strong growth in this segment of the population.

We believe these and other lifestyle and demographic trends will continue to be favorable to us and offer us strong opportunities for future restaurant expansion.

Growth strategies

We believe that there are significant opportunities to grow our concept and brand on a nationwide basis through both new company-owned and franchised restaurants. We believe that our concept and brand can support as many as 850 additional company-owned or franchised restaurants throughout the United States.

Company-owned restaurants

Our primary source of expansion and growth in the near term will be the addition of new company-owned restaurants. We are pursuing a disciplined growth strategy and intend to develop many of our new restaurants in our existing markets, and selectively enter into new markets. Our growth strategy incorporates a cluster strategy for market penetration, which we believe will enable us to gain operating efficiencies, increase brand awareness and enhance convenience and ease of access for our guests, all of which we believe will lead to significant repeat business. Our site selection criteria for new restaurants is flexible and allows us to adapt to a variety of locations near high activity areas such as retail centers, big box shopping centers and entertainment centers. In 2002, we have opened five new company-owned restaurants in our existing regional markets and relocated one restaurant. We plan to open approximately an additional five new restaurants in 2002, all of which are also in our existing regional markets. We have identified the sites and have entered into letters of intent or leases for all of these restaurants. In 2003, we intend to open approximately 16 new restaurants.

Franchised restaurants

The other key aspect of our growth strategy is the continued development of our franchise restaurants. We expect the majority of our new franchise restaurant growth to occur through the development of new restaurants by new franchisees, primarily in the Northeast, Midwest and the South. We intend to continue to strengthen our franchise system by attracting experienced and well-capitalized area developers who are quality-conscious restaurant operators and who possess the expertise and resources to execute the development of new restaurants on a large scale. Similarly, we have chosen not to pursue relationships with franchisees that would involve only a limited number of restaurants in a limited territory, because we believe that this would consume too much of our time and attention for the return we would expect to achieve. In 2002 our franchises have opened four new restaurants and our contracts with our franchisees currently provide for the development of three additional new restaurants in 2002, 13 new restaurants in 2003 and the development of additional restaurants over a specified period of time.

Unit level economics

In 2001, our comparable company-owned restaurants generated average sales of approximately $3.0 million and restaurant-level operating profit of approximately $618,000, or 20.5% of total comparable company-owned restaurant sales. The average cash investment cost for our free-standing restaurants opened in 2001 was approximately $1.7 million, excluding pre-opening costs, which averaged approximately $146,000 per restaurant, and land. In 2000, our comparable company-owned restaurants generated average sales of approximately $2.9 million and restaurant-level operating profit of approximately $533,000, or 18.4% of total comparable company-owned restaurant sales. The average cash investment cost for our free-standing restaurants opened in 2000 was approximately $1.8 million, excluding pre-opening costs, which averaged approximately $144,000 per restaurant, and land.

Currently, our existing restaurants range in size from 3,800 square feet to 10,700 square feet. Our prototype restaurant is typically a free-standing building with approximately 6,400 square feet, approximately 200 seats and a patio. Based on this prototype, we expect that in the future our total cash investment per restaurant will average approximately $1.8 million, excluding pre-opening costs, which are estimated to be approximately $170,000 per restaurant.

Expansion strategy and site selection

Our restaurant expansion strategy focuses primarily on further penetrating existing markets with a cluster strategy and selectively entering into new markets. This clustering approach enables us to increase brand awareness and improve our operating efficiencies. For example, clustering enables us to reduce costs associated with regional supervision of restaurant operations. We also believe this approach reduces the risks involved with opening new restaurants given that we better understand the competitive conditions, consumer tastes, demographics and discretionary spending patterns in our existing markets. In addition, our ability to hire qualified team members is enhanced in markets in which we are well-known.

We believe that our site selection strategy is critical to our success and we devote substantial time and effort to evaluating each site. Our site selection criteria focuses on identifying markets, trade areas and other specific sites that are likely to yield the greatest density of desirable demographic characteristics, heavy retail traffic and a highly visible site.

In order to maximize our market penetration potential, we have developed a flexible physical site format that allows us to operate in a range of real estate venues located near high activity areas such as retail centers, big box shopping centers and entertainment centers. Approved sites generally have a population of at least 70,000 people within a three-mile radius and at least 100,000 people within a five-mile radius. Sites generally require a strong daytime and evening population, adequate parking, a visible and easy entrance and exit. Our prototype restaurant is typically a free-standing building with approximately 6,400 square feet, approximately 200 seats and a patio.

In 2001, we hired Todd Brighton, a seasoned real estate professional with 20 years of experience to focus on site selection and future development. Mr. Brighton and his team thoroughly analyze each prospective site before signing a lease or purchase agreement. Prior to committing to a restaurant site, the site is thoroughly evaluated, visited and approved by our senior management team. Our chief executive officer, Mike Snyder, and/or our chief financial officer, Jim McCloskey, personally visit and approve all new sites.

With the exception of the ten sites for which we own the real estate, we operate our restaurants under leases. Our primary site objective is to secure a superior site, with the decision to buy or lease as a secondary objective. We believe that our unique guest demographic mix provides us with a major competitive advantage in securing sites. Our long-standing relationships with several major mall developers and owners and our favorable demographics afford us the opportunity to negotiate additional sites in new malls that they are developing. Our format provides us with a great deal of flexibility in these negotiations, because our concept is suitable for a wide variety of real estate venues.

Current restaurant locations

We currently have 91 company-owned restaurants and 98 franchised restaurants in 23 states and two Canadian provinces as shown in the chart below.

	Number of Restaurants		
	Company-owned	Franchised	Total
Alaska	–	3	3
Arizona	2	3	5
California	32	15	47
Colorado	14	–	14
Florida	–	1	1
Idaho	–	3	3
Illinois	–	5	5
Indiana	1	–	1
Maryland	4	–	4
Michigan	–	8	8
Minnesota	–	2	2
Missouri	1	–	1
Montana	–	1	1
Nevada	2	1	3
New Mexico	–	2	2
Ohio	3	3	6
Oregon	10	3	13
Pennsylvania	1	7	8
Texas	–	3	3
Utah	–	4	4
Virginia	5	–	5
Washington	16	11	27
Wisconsin	–	2	2
Total United States	91	77	168
Canada	–	21	21
Total	91	98	189

Menu

Our menu is centered around our signature product, the gourmet burger, that we define as “anything that can go in, on or between two buns.” We make our gourmet burgers from beef, chicken, veggie, fish, turkey and pot roast, and serve them in a variety of recipes. We offer a wide selection of toppings for our gourmet burgers, including fresh guacamole, roasted green chilies, honey mustard dressing, grilled pineapple, crispy onion straws, sautéed mushrooms and a choice of six different cheeses. For example, one of our signature creations, the Banzai Burger, is marinated in teriyaki and topped with grilled pineapple, cheddar cheese, lettuce, tomato and mayonnaise.

In addition to gourmet burgers, which accounted for approximately 44.0% of our total food sales in 2001, we serve an array of other food items that are designed to appeal to a broad group of guests, including a variety of salads, soups, appetizers, other entrees such as rice bowls and pasta and desserts. One of our top selling non-burger items is the Baja Turkey Club, which features turkey, pepper-jack and cheddar cheeses, bacon, roasted green chilies, tomato and roasted pepper mayonnaise on grilled Texas toast. We serve all of our burgers and sandwiches with “bottomless” french fries. Our guests can also choose from a wide variety of beverages, including Pepsi products, smoothies, monster milkshakes, our proprietary Strawberry Ecstasy and our signature Mad Mixology® alcoholic and non-alcoholic specialty beverages like our Freckled Lemonade.

All of our menu items are prepared to order in our restaurants. The food items on our menu range in price from $2.99 to $12.49, with a per person average check of approximately $10.00, including alcoholic beverages. Sales of alcoholic beverages represented approximately 9.5% of total restaurant sales in 2001.

We continuously experiment with food and beverage items and flavor combinations to create selections that are imaginative and exciting to our guests. Ideas for new menu items are generated at the restaurant level as well as through consumer research and franchisees. In 2001, we held our first annual Gourmet Burger Recipe Contest. This contest allowed our guests to submit their favorite burger recipes for a chance to have their recipe become a part of the Red Robin menu. Last year’s winner, Lauren’s Portobello Burger, is currently on our menu and a portion of the sales from this burger will be donated to charity.

Menu items are consistently rotated on and off the menu based on the changing tastes of our guests. Every new recipe idea goes through our test menu development process. The proposed menu item must appeal to a sufficient number of guests and require a preparation time of less than nine minutes to be added to our menu. In addition, the corresponding ingredients must retain or improve the overall menu quality while meeting our gross profit margin targets. All new menu items are then test marketed for eight to 12 weeks in various geographic regions. Our franchisees are given the opportunity to review proposed menu items and offer feedback before the recipes are finalized and added to the menu.

Guest loyalty and experience

Through our unique guest service philosophy, which we describe as “unbridled,” we feel we have created a culture that has enabled us to build a strong and loyal guest base. Unbridled acts are common in our company, as our team members have a history of going far beyond the customary level of guest service. In 2002, we were proud to be recognized as a gold winner of *Restaurants & Institutions 2002 Choice in Chains Award* for excellence in customer service, food quality and overall dining experience, as voted on by a nationally representative sample of consumers.

We use many industry standard techniques to measure our guests’ experiences at our restaurants. These include comment cards, mystery shoppers, internet feedback, market area and in-restaurant consumer research. We also employ several additional techniques at the restaurant level, including a “systems check” performed each week by our general managers to track and measure our guests’ experiences. This “systems check” evaluates our speed of service, our food preparation times and our seating utilization for each week. The key measurement criteria evaluated in our “systems check” contribute to our ability to give our guests the “gift of time.” We strive to provide guests with a 37-minute dining experience at lunch and 42 minutes at dinner. Our regional operations directors utilize these and other reports to determine which restaurants in their region may need additional support to address any problems or determine which restaurants need additional support.

Marketing and advertising

Our marketing strategy focuses on: 1) driving comparable restaurant sales through attracting new guests and increasing the frequency of visits by current guests; 2) supporting new restaurant openings to achieve their sales and profit goals; and 3) communicating a unique, powerful, and consistent brand. We accomplish these objectives through four major initiatives.

In-restaurant marketing

A significant portion of our marketing funds are spent in communicating with our guests while they are in our restaurants. The core of our strategy revolves around keeping our menu fresh, with innovative “celebrations” or promotions that occur two to three times throughout the year. These promotions typically involve multiple new food and beverage menu items that are presented through posters, table tents, danglers, menus and other printed materials to provide variety and excitement to our guests, which we believe drives frequency of visits.

Local restaurant area marketing

We believe we are a wholesome, values-focused leader in family dining. With our focus on women, teens and tweens, we have a unique opportunity to market our restaurants at a local level. With this positioning, we are able to achieve favored advertising positions within local middle schools and high schools, including tours, mascot visits and advertising, which we believe is a very effective and efficient approach to communicate our brand and drive sales. These events tend to attract families, teens and tweens and illustrate our fun-loving, family-friendly atmosphere.

Advertising

Although our restaurant concept is not media driven, we do spend a limited amount of our marketing dollars in select markets on various media advertising, including billboard, print, radio and television to build brand awareness. Our media advertisements are generally designed to support themed food and beverage celebrations occurring in our restaurants and reflect our fun and festive atmosphere. We also attempt to promote brand awareness in our billboard, print and television advertising by highlighting the distinctive features of our red, black and yellow logo.

New restaurant openings

We use new restaurant openings as opportunities to reach out to the local media. Our openings are often featured on live local radio broadcasts and receive coverage in local newspapers. We employ a variety of marketing techniques in connection with our new restaurant openings, including community “VIP” parties, with invitations to media personalities and community leaders. We also typically tie our openings to a charitable event.

During 2001, we spent an aggregate of 3.2% of restaurant sales on marketing efforts. We expect to continue investing a similar percentage of restaurant sales in marketing efforts in the future, primarily in connection with driving comparable restaurant sales and new restaurant openings.

Operations

Restaurant management

Our restaurant operations are divided into three distinct, self-sufficient geographic regions, which are overseen by a senior regional operations director, each with over 12 years of experience in our restaurants. Each geographic region contains three to four regional operations directors, one to two regional recruiters, a regional training manager and one to two regional kitchen managers. Our regional directors oversee five to eight company-owned restaurants each, which we believe enables them to better support the general managers and achieve sales and cash flow targets for each restaurant within their region. In addition, the regional operations directors invest a portion of their time on franchised operations in their respective regions.

Our typical restaurant management team consists of a general manager, an assistant general manager, a kitchen manager and one to two assistant managers. Most of our restaurants employ approximately 85 hourly team members, many of whom work part-time. The general manager of each restaurant is responsible for the day-to-day operation of that restaurant including hiring, training and development of team members, as well as operating results. The kitchen manager is responsible for product quality, daily production, shift execution, food costs and kitchen labor costs. Our restaurants are generally open Sunday through Thursday from 11:00 AM until 10:00 PM and on Friday and Saturday from 11:00 AM to 11:00 PM.

Operational tools and programs

We utilize a customized food and beverage analysis program that determines the optimal food and beverage costs for each restaurant and provides additional tools and reports to help us identify opportunities, such as waste management, which we believe affords us lower than industry average food and beverage costs. We also utilize a labor program to determine the optimal staffing needs of each restaurant based on its actual guest flow and demand.

We employ several additional operational tools, for example, each week, every general manager performs a "systems check" which tracks and measures our guests' experiences based upon key criteria. This "systems check" evaluates our speed of service, our food preparation times and our seating utilization for each week. Our regional operations directors utilize these and other reports to determine which restaurants in their region may need additional support to address any problems or to determine which restaurants need additional support.

Training

We strive to maintain quality and consistency in each of our restaurants through the careful training and supervision of team members and the establishment of, and adherence to, high standards relating to personnel performance, food and beverage preparation and maintenance of our restaurants. Each location has eight to ten certified trainers who provide classroom and on-the-job instruction for new team members. All of our trainers participate in an eight hour training seminar on good training skills, which provides them with knowledge and tactics to enable them to be better trainers and coaches. We provide all new team members with complete orientation and one-on-one training for their positions to ensure they are able to meet our high standards. All of our new team members are trained by partnering with a certified designated trainer to assure that the training and information they receive is complete and accurate. Team members are certified for their positions by passing a series of tests.

New restaurant managers are required to complete an eight-week training program that includes service, kitchen and management responsibilities. Newly trained managers are then assigned to their home restaurant where they spend one additional training week with their general manager. We place a high priority on our continuing management development programs in order to ensure that qualified managers are available for our future openings. We conduct semi-annual performance reviews with each manager to discuss prior performance and future performance goals. Once a year we hold a general manager conference in which all of our general managers receive additional training on financial management, food preparation, hospitality and other relevant topics.

When we open a new restaurant, we provide varying levels of training to team members in each position to ensure the smooth and efficient operation of the restaurant from the first day it opens to the public. Prior to opening a new restaurant, our dedicated training and opening team travels to the location to prepare for an intensive seven-day training program for all team members hired for the new restaurant opening. Part of the training teams stay on site during the first week of operation and an additional team of training support arrives for on-site support during the second and third weeks. We believe this additional investment in our new restaurants is important, because it helps us provide our guests with a quality dining experience from day one. We also make on-site training teams available when our franchisees open new restaurants. After a restaurant has been opened and is operating smoothly, the general manager supervises the training of new team members.

Recruiting and retention

We seek to hire experienced general managers and team members. We support our team members by offering competitive wages and benefits, including a 401(k) plan, medical insurance and stock options for general managers. We motivate and prepare our team members by providing them with opportunities for increased responsibilities and advancement, as well as significant performance-based incentives tied to sales, profitability and certain qualitative measures. For example, we provide our general managers with the use of a Jeep Wrangler for two years if they are able to increase restaurant sales in a single restaurant by 15.0% for four consecutive quarters. If this increase is maintained for eight consecutive quarters, we give the manager outright title to the Jeep Wrangler. We also provide various other incentives, including vacations, car allowances and quarterly sales and profit bonuses. Our most successful general managers are eligible for promotion to senior general manager or training general manager status and are entitled to receive more lucrative compensation packages based on various performance criteria. We also provide monetary rewards for general managers who develop future managers for our restaurants.

Restaurant franchise and licensing arrangements

We intend to grow the number of new company-owned restaurants in a measured and disciplined manner. As a result, many areas of the United States are available for potential development by franchisees. As of May 19, 2002, we had 22 franchisees that operated 98 restaurants in 19 states and two Canadian provinces. Of the 22 franchisees, ten have exclusive franchise development arrangements, including one international franchisee. Our two largest franchisees are Red Robin Restaurants of Canada, Ltd., with 21 restaurants throughout Alberta and British Columbia, Canada, and Top Robin Ventures, Inc., with 14 restaurants in Southern California. In 2002, our francisees have opened four new restaurants and we expect our franchisees to open three additional new restaurants. The success of our current franchisees and the popularity of our concept have created significant interest by potential franchisees. In 2002, we have added three new franchisees who have agreed to develop 19 new restaurants over the next six years. We have also granted a current franchisee a second development territory in exchange for the franchisee’s commitment to open five new restaurants in that second territory over the next six years, and we extended the term of that franchisee’s existing development agreement in exchange for the franchisee’s agreement to open ten restaurants in the next six years.

Each franchise arrangement typically consists of an area development agreement and a separate franchise agreement for each restaurant. Our current form of area development agreement grants exclusive rights to a franchisee to develop a minimum number of restaurants in a defined area, typically over a five-year period. Individual franchise agreements relate to the operation of each restaurant opened and typically have a term of 20 years with a renewal option for an additional ten years if certain conditions are satisfied.

Under our current form of area development agreement, we collect a $10,000 development fee for each restaurant the franchisee agrees to develop at the time we enter into the area development agreement. We may charge lower development fees and franchise fees for existing franchisees. We credit $10,000 from the total development fee against the $35,000 franchise fee for each restaurant opened. Our current form of franchise agreement requires the franchisee to pay a royalty fee equal to 4.0% of adjusted restaurant sales. Adjusted restaurant sales does not include:

- employee discounts or other discounts;
- any federal, state, municipal or other sales, value added or retailer’s excise taxes; or
- adjustments for net returns on salable goods and discounts allowed to customers on sales.

Franchisees are required to spend a minimum of 1.5% of adjusted restaurant sales on local advertising or promotional activities and to pay an advertising fee of 0.5% of adjusted restaurant sales to a cooperative advertising fund for marketing studies and the development of commercials or other print and electronic media promotional material. In addition, franchisees are required to pay 0.3% of adjusted restaurant sales to a national advertising and marketing fund for the development of advertising materials and related marketing efforts.

We have the ability under our agreements to increase the required national advertising and marketing fund contribution up to 4.0% of adjusted sales. The royalty fee and advertising and marketing contributions of our franchisees vary depending on when the agreements were executed and the number of restaurants that the franchisee committed to open during the term of the area development agreement.

Franchise compliance assurance

We have instituted a comprehensive system to ensure the selection of quality franchisees and compliance with our systems and standards, both during the development and operating of franchise restaurants.

- *Selection process*. We generally select franchisees that are experienced, well-capitalized, multi-unit restaurant operators or who have demonstrated the ability to raise capital and rapidly grow a multi-unit retail or service organization. During the selection process, we conduct comprehensive background, financial, and reference checks on all candidates. Key department heads will typically meet with each franchisee candidate and often visit their current business operations to assess his or her level of relevant expertise. References are obtained from the candidates as well as through industry sources, such as former suppliers, executives, managers, or other business associates. We will generally not grant development rights for the development of a single restaurant.
- *Development and operations*. After a franchise agreement is signed, we actively work with and monitor our franchisees to ensure successful franchise operations as well as compliance with Red Robin systems and procedures. During the development phase, we assist in the selection of restaurant sites and the development of prototype and building plans, including all required changes by local municipalities and developers. After construction is completed, we review the building for compliance with our standards and provide eight trainers to assist in the opening of the restaurant. We advise the franchisee on menu, management training, and equipment and food purchases. At least once a year, we review all menu items and descriptions to ensure compliance with our requirements and standards. We require all suppliers of ground beef, if different than ours, to pay for and pass an annual inspection performed by third party auditors. Finally, on an ongoing basis, we conduct brand equity reviews on all franchise restaurants to determine their level of effectiveness in executing our concept at a variety of operational levels. Reviews are conducted by seasoned operations teams, last approximately two to three days, and focus on seven key areas including health, safety, brand foundation, and execution proficiency.

To continuously improve our operations, we maintain a franchise marketing advisory council, a franchise business advisory council and a food and beverage council. These councils provide advice to us regarding operations and consist of three franchisee representatives and three members of our senior management. In addition, several times each year we solicit feedback and insights on specific topics from the broad group of franchisees and then get together with them to discuss and share their insights. These gatherings, which we call “headwater meetings,” are an effort to attain a high level of franchisee buy-in and to assure the system is evolving in a positive direction through the exchange of best practices.

Management information systems

All of our restaurants use computerized management information systems, which are designed to improve operating efficiencies, provide corporate management with timely access to financial and marketing data, and reduce restaurant and corporate administrative time and expense. In October 1999, Nation’s Restaurant News and the Food Service Technology Exposition recognized the quality and distinction of our information systems by presenting us with its Team Excellence Award. We believe our management information systems are sophisticated and are sufficient to support our restaurant expansion plans.

With the data provided by our information systems, we can report daily, weekly and period-to-date numbers on an automated daily report that is delivered via e-mail to our restaurants and our field personnel. On a weekly and a periodic basis, we issue other electronic reports that provide comparative data regarding food, labor and other cost information. Our information systems also enable us to automatically post restaurant level data, such as restaurant sales, cash and credit card receipts and promotion usage into our corporate accounting software. We also use our information systems to capture information regarding our payroll and the status of new and existing team members. Specifically, we use Menulink, a Windows-based product, to perform our bookkeeping, electronic ordering and food cost and management functions. Our Aloha Technologies point-of-sale system facilitates the supply of data to Menulink and also assists with labor scheduling and credit card authorizations. We have developed several in-house products to assist with our information systems. Our Scheduling Team Members and Reporting System, or STaRs, helps our managers schedule the optimal amount of team members at any time. We believe these systems enable both restaurant-level and corporate-level management to adequately supervise the operational and financial performance of our restaurants as necessary to support our planned expansion.

Food preparation, quality control and purchasing

We believe that we have some of the highest food quality standards in the industry. Our systems are designed to protect our food supply throughout the preparation process. We provide detailed specifications to suppliers for our food ingredients, products and supplies. We inspect specific qualified manufacturers and growers. Our purchasing team and restaurant managers are certified in a comprehensive safety and sanitations course by the National Restaurant Association. Minimum cook temperature requirements and twice-a-day line checks ensure the safety and quality of both burgers and other items we use in our restaurants.

We rely on SYSCO Corporation, a national food distributor, as the primary supplier of our food. To maximize our purchasing efficiencies and obtain the lowest possible prices for our ingredients, products, and supplies, while maintaining the highest quality, our centralized purchasing team generally negotiates all prices in one of two formats: 1) fixed price contracts with terms of between one month and one year or 2) monthly commodity pricing formulas. In order to provide the freshest ingredients and products, and to maximize operating efficiencies between purchase and usage, each restaurant’s kitchen manager determines its daily usage requirements for food ingredients, products, and supplies. The kitchen manager orders accordingly from approved local suppliers and our national master distributor and all deliveries are inspected to ensure that the items received meet our quality specifications and negotiated prices. We believe that competitively priced, high quality alternative manufacturers, suppliers, growers and distributors are available should the need arise.

Team members

As of May 19, 2002, we have approximately 8,200 employees, who we refer to as team members, consisting of approximately 8,100 team members at company-owned restaurants and 76 team members at our corporate headquarters. During our higher volume summer months, we experience an increase in the number of hourly team members in our restaurants of approximately 10.0%. None of our team members are covered by any collective bargaining agreement. We consider our team member relations to be good.

Competition

The restaurant industry is highly competitive. We compete on the basis of the taste, quality, price of food offered, guest service, ambiance, location and overall dining experience. We believe that our gourmet burger concept, attractive price-value relationship, and the quality of our food and service enable us to differentiate ourselves from our competitors. Although we believe we compete favorably with respect to each of these factors, many of our direct and indirect competitors are well-established national, regional or local chains, and some have substantially greater financial, marketing, and other resources than we do. We also compete with many other restaurant and retail establishments for site locations and restaurant-level team members.

Properties

Our corporate headquarters are located in Greenwood Village, Colorado. We occupy this facility under a lease that terminates in January 2004. We lease the majority of our restaurant facilities, although we own restaurants in: Moreno Valley, California; Yuba City, California; Glen Allen (Richmond), Virginia; Potomac Mills, Virginia; Fairlakes, Virginia; Mesa, Arizona; Oxford Valley, Pennsylvania; North Olmstead, Ohio; and sites under development in Peoria and Prescott, Arizona. The majority of our leases are for 20-year terms and include options to extend the terms. The majority of our leases also include both minimum rent and percentage-of-sales rent provisions.

Trademarks

Our registered trademarks and service marks include, among others, the marks "Red Robin®," "America's Gourmet Burgers & Spirits®" and "Mad Mixology®" and our stylized logo set forth on the front and back pages of this prospectus. We have registered all of our marks with the United States Patent and Trademark Office. We have registered or have registrations pending for our most significant trademarks and service marks in Canada. In order to better protect our brand, we have also registered the Internet domain name "www.redrobin.com." We believe that our trademarks, service marks, and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts. We have in the past, and expect to continue to vigorously protect our proprietary rights. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon, or otherwise similar to, our concept. It may be difficult for us to prevent others from copying elements of our concept and any litigation to enforce our rights will likely be costly and may not be successful. Although we believe that we have sufficient rights to all of our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and divert resources from our business. Moreover, if we are unable to successfully defend against such claim(s), we may be prevented from using our trademarks and/or service marks in the future and may be liable for damages.

Government regulation

Our restaurants are subject to licensing and regulation by state and local health, safety, fire and other authorities, including licensing and regulation requirements for the sale of alcoholic beverages and food. To date, we have not experienced an inability to obtain or maintain any necessary licenses, permits or approvals, including restaurant, alcoholic beverage and retail licensing. The development and construction of additional restaurants will also be subject to compliance with applicable zoning, land use, and environmental regulations. We are also subject to federal regulation and state laws that regulate the offer and sale of franchises and substantive aspects of a franchisor-franchisee relationship. Various federal and state labor laws govern our relationship with our team members and affect operating costs. These laws include minimum wage requirements, overtime, unemployment tax rates, workers' compensation rates, citizenship requirements and sales taxes. In addition, the Federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment.

Litigation

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including claims resulting from "slip and fall" accidents, employment related claims and claims from guests or team members alleging illness, injury or other food quality, health or operational concerns. To date, none of these types of litigation, all of which are covered by insurance, has had a material effect on us, and as of the date of this prospectus, we are not a party to any litigation which we believe would have a material adverse effect on our business.

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MANAGEMENT

Executive officers and directors

The following table sets forth information about our directors, executive officers and other key officers as of May 19, 2002:

Name	Age	Position
Executive Officers:		
Michael J. Snyder	52	Chairman of the Board, Chief Executive Officer, President and Director
James P. McCloskey	51	Chief Financial Officer
Michael E. Woods	52	Senior Vice President of Franchise Development
Robert J. Merullo	47	Senior Vice President of Restaurant Operations
Todd A. Brighton	44	Vice President of Development
Eric C. Houseman	34	Vice President of Restaurant Operations
Other Key Officers:		
Neil A. Culbertson	46	Vice President of Marketing
John W. Grant	55	Vice President and General Counsel
Charles K. Dusenberry II	48	Vice President of Design and Construction
Mark K. Eggen	48	Vice President of Franchise Operations
Robert F. Fix	49	Vice President of Franchise Sales
Michael I. Speck	42	Vice President of Human Resources
Lisa A. Dahl	43	Controller
Howard C. Jenkins	59	Vice President of Management Information Systems
Ray S. Masters	42	Vice President of Purchasing
Scott A. Schooler	34	Vice President of Food and Beverage
Other Directors:		
Tasuku Chino	67	Director
Terrence D. Daniels	59	Director
Edward T. Harvey	54	Director
Gary J. Singer	49	Director

Michael J. Snyder. Mr. Snyder was elected as our president, chief operating officer and as a director in April 1996. In March 1997, Mr. Snyder was elected as our chief executive officer. In May 1997, Mr. Snyder was elected as our chairman of the board. From 1979 to May 2000, Mr. Snyder also served as president of The Snyder Group Company.

James P. McCloskey. Mr. McCloskey was elected as our chief financial officer and secretary in June 1996. From March 1994 to January 1996, Mr. McCloskey served as chief financial officer for Avalon Software in Tucson, Arizona. From July 1988 to March 1994, Mr. McCloskey served as chief financial officer for Famous Amos Cookies in San Francisco, California.

Michael E. Woods. Mr. Woods joined us in January 1997 as our vice president of franchise development and was appointed senior vice president in January 1999. From 1992 to June 1999, Mr. Woods also served as director of corporate development for The Snyder Group Company.

Robert J. Merullo. Mr. Merullo joined us in April 2000 as our senior vice president of restaurant operations. Mr. Merullo was the director of operations for The Snyder Group Company from November 1991 to April 2000.

Todd A. Brighton. Mr. Brighton joined us in April 2001 as our vice president of development with management responsibility over real estate and design and construction. From August 1999 to April 2001, Mr. Brighton was director of real estate with RTM Restaurant Group and was responsible for strategic analysis and market planning for three restaurant chains. From November 1996 to July 1999, Mr. Brighton was the western development manager for Blockbuster Entertainment, Inc. and was responsible for all real estate development in 17 states and select international markets.

Eric C. Houseman. Mr. Houseman joined us in 1993 and has served as our vice president of restaurant operations since March 2000. From 1993 to March 2000, he served in various regional operations management positions with our company.

Neil A. Culbertson. Mr. Culbertson joined us in January 1999 as our vice president of marketing. From September 1998 to December 1998, he was executive vice president of marketing for The Weather Channel in Atlanta, Georgia. From March 1994 to August 1998, he served as vice president of marketing for Boston Chicken, Inc. in Golden, Colorado. Mr. Culbertson has over 20 years of consumer brand marketing experience gained at Fortune 500 companies, including Kraft General Foods and General Mills.

John W. Grant. Mr. Grant joined us in January 1995 and has served as our vice president and general counsel since August 1996. From December 1993 to December 1994, Mr. Grant was self-employed as an attorney in Santa Barbara, California.

Charles K. Dusenberry II. Mr. Dusenberry joined us in March 2002 as our vice president of design and construction. From 1996 to March 2002, Mr. Dusenberry was the vice president of construction, design and facilities for Pizzeria Uno.

Mark K. Eggen. Mr. Eggen joined us in March 1994 as our vice president of operations. In March 2000, he was appointed vice president of franchise operations.

Robert F. Fix. Mr. Fix joined us in March 2001 as our vice president of franchise sales. From 1996 until March 2001, Mr. Fix was director of U.S. franchise development for Boston Pizza International of Richmond in British Columbia, Canada.

Michael I. Speck. Mr. Speck joined us in June 1998 as our director of human resources and was promoted to vice president of human resources in July 1999. Prior to June 1998, Mr. Speck was vice president of training and human resources for Mayfair Partners, L.P., a franchisee of Boston Market and Einstein Bros. Bagels. Mr. Speck has served as chairperson for the National Restaurant Association Human Resources Executive Group.

Lisa A. Dahl. Ms. Dahl joined us in March 1997 as our corporate controller. Prior to joining us, Ms. Dahl was an accounting director for Vicorp Restaurants. Ms. Dahl is a certified public accountant. Ms. Dahl has also served as chairperson for the National Restaurant Association Finance Executive Group.

Howard C. Jenkins. Mr. Jenkins joined us in December 1996 as our vice president of management information systems. Prior to 1996, Mr. Jenkins held various senior management positions in information technology, material management, and manufacturing for defense and commercial corporations. He has also performed various consulting services involving the implementation of enterprise resource planning systems. Mr. Jenkins has served as the chairman for the National Restaurant Association MIS Executive Study Group.

Ray S. Masters. Mr. Masters joined us in May 1996 as director of purchasing and was promoted to vice president of purchasing in October 1998. Prior to joining us, Mr. Masters held multi-unit national account executive sales positions with SYSCO Foods and Johnsonville Foods.

Scott A. Schooler. Mr. Schooler joined us in April 2000 as vice president of food and beverage. He was the director of food and beverage for The Snyder Group Company from March 1987 to April 2000.

Tasuku Chino. Mr. Chino joined us as a director in January 2001. Since January 2001, Mr. Chino has served as a director of Skylark Co., Ltd. From 1962 through December 2000, Mr. Chino served as chief executive officer and president of Skylark Co., Ltd., a publicly held Japanese corporation, which operates 1,807 restaurants in Japan.

Terrence D. Daniels. Mr. Daniels joined us as a director in May 2000. Mr. Daniels has been a partner with Quad-C in Charlottesville, Virginia since its formation in November 1989. Prior to November 1989, Mr. Daniels served as vice chairman and director of W.R. Grace & Co., as chairman, president and chief executive officer of Western Publishing Company, Inc. and as senior vice president for corporate development of Mattel, Inc.

Edward T. Harvey. Mr. Harvey joined us as a director in May 2000. Mr. Harvey has been a partner with Quad-C in Charlottesville, Virginia since April 1990. From 1975 to April 1990, Mr. Harvey held various positions at W.R. Grace & Co., principally in corporate development, acquisitions and planning.

Gary J. Singer. Mr. Singer joined us as a director in June 1993. Mr. Singer has been a partner at the law firm of O'Melveny & Myers LLP, an international law firm, since February 1985 and has been associated with O'Melveny & Myers since 1977.

Board composition

We currently have five directors. Each director was elected to serve until the next annual meeting of stockholders or until a successor is elected and qualified. These directors have been nominated and elected pursuant to a voting arrangement in our amended and restated shareholders agreement among us and certain of our stockholders, including certain entities affiliated with Quad-C, certain entities affiliated with Skylark Co., Ltd., Mike Snyder and certain other of our stockholders. The parties to this agreement agreed to vote their shares in favor of board nominees of Skylark and Quad-C. The stockholders also agreed to vote their shares in favor of Mr. Snyder as a director as long as he remains our chief executive officer. The amended and restated shareholders agreement will terminate upon consummation of this offering.

Upon the closing of this offering, in accordance with the terms of our amended and restated bylaws and our amended and restated certificate of incorporation, our board of directors will consist of six directors, the terms of office of which will be divided into three classes:

- Class I directors, whose term will expire at the annual meeting of stockholders to be held in 2003;
- Class II directors, whose term will expire at the annual meeting of stockholders to be held in 2004; and
- Class III directors, whose term will expire at the annual meeting of stockholders to be held in 2005.

Our Class I directors will be Tasuku Chino and Terrence D. Daniels, our Class II directors will be Edward T. Harvey and Gary J. Singer and our Class III director will be Mike Snyder.

At each annual meeting of stockholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control or management of our company.

Board committees

Audit committee

Our board of directors has established an audit committee that reviews, acts on, and reports to our board with respect to various auditing and accounting matters, including the recommendation of our auditors, the scope of our annual audits, fees to be paid to the auditors, evaluating the performance of our independent auditors and our accounting practices. The members of the audit committee are Terrence D. Daniels, Edward T. Harvey and Gary J. Singer. No later than 90 days after this offering, we will comply with Nasdaq Stock Market's independent director and audit committee composition requirements.

Compensation committee

Our board of directors has established a compensation committee that recommends, reviews and oversees the salaries, benefits, and option plans for our team members, consultants, and other individuals compensated by us. The compensation committee also administers our stock option plans, including determining the stock option grants for our team members, consultants, directors and other individuals. The members of the compensation committee as of the date of this prospectus are Terrence D. Daniels, Edward T. Harvey and Gary J. Singer.

Compensation committee interlocks and insider participation

During 2001, our compensation committee consisted of Mike Snyder, Edward T. Harvey and Gary J. Singer. Mr. Snyder is, and was during 2001, our president and chief executive officer. Other than service on our board of directors, we did not employ any of the other members of the compensation committee during 2001. No member of our compensation committee and none of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee. Certain transactions and relationships between us and Mr. Snyder, Mr. Harvey or Mr. Singer are described below.

Transactions involving Mr. Snyder

In February 2000, our operating subsidiary, Red Robin International, Inc., entered into an agreement and plan of merger with The Snyder Group Company and the stockholders of The Snyder Group Company, whereby we agreed to acquire all of the outstanding capital stock of The Snyder Group Company in exchange for approximately 1.9 million shares of our common stock, $9.2 million in debentures and $1.8 million in cash and promissory notes payable to the stockholders of The Snyder Group Company. We completed this acquisition in May 2000. In connection with this transaction, Mr. Snyder, our chief executive officer and a member of our compensation committee during 2001, received $4,100 in cash, $5.5 million in debentures repaid by us in August 2001, $18,870 in debentures repaid by us in May 2001 and approximately 793,647 shares of our common stock.

In connection with our acquisition of The Snyder Group Company in May 2000, we entered into a non-interference, non-disclosure and non-competition agreement with Mr. Snyder. Pursuant to this agreement, Mr. Snyder has agreed that he will not engage in any activity relating to the casual dining business anywhere in the United States until May 2005. Mr. Snyder has also agreed that he will not disclose any confidential information relating to us or our business. Finally, Mr. Snyder has agreed that, until March 2005, he will not (i) solicit or induce any employee at the level of assistant restaurant manager or higher to terminate employment with us, (ii) hire any employee at the level of assistant restaurant manager or higher who was employed with us within the prior 12 months, or (iii) induce or attempt to induce any supplier or other business relationship of ours to cease doing business with us or otherwise interfere with our relationship with such suppliers or business relations.

In April 2002, our board of directors approved the early exercise of options to purchase up to 775,862 shares of our common stock held by certain of our executive officers under our 2000 management performance common stock option plan, including Mr. Snyder. Mr. Snyder elected to early exercise options to purchase an aggregate of 517,241 shares of common stock. Mr. Snyder paid the exercise price by delivering a full recourse promissory note in the aggregate principal amount of $3.0 million. This promissory notes bear interest at 4.65% per annum with principal and interest due and payable on the original expiration date of the underlying option or earlier if the employment of the respective executive officer is terminated for any reason. Mr. Snyder has pledged the shares acquired by him as collateral for repayment of his full recourse promissory note and the shares acquired by him are subject to a right of repurchase in our favor at the lower of the price paid by Mr. Snyder for the shares acquired by him upon the early exercise of stock options or the fair market value of these shares on the date that we exercise our right of repurchase. This right lapses as the shares underlying the original options vest. An aggregate of 379,310 shares acquired by Mr. Snyder vest based on internal rate of return calculations to be applied upon the sale of 100% of our common stock, our initial public offering or on December 31, 2003 based upon the satisfaction of specified EBITDA targets applied annually on each of the preceding three years. Any shares that remain unvested under the EBITDA targets or the internal rate of return calculations will vest on April 15, 2007. An additional 68,966 shares acquired by Mr. Snyder vested in May 2002 and the remaining 68,965 shares will vest in May 2003.

Mr. Snyder has a 31.0% ownership interest in one of our franchisees, Mach Robin, LLC. We recognized franchise and royalty fees from Mach Robin in the amounts of $204,969 in 1999, $415,649 in 2000 and $803,198 in 2001 and $283,704 in the first quarter of 2002. Mach Robin has a 40.0% ownership interest and a right to share in up to 60.0% of the profits of one of our other franchisees, Red Robin Restaurants of Canada, Ltd. We recognized franchise and royalty fees from Red Robin Restaurants of Canada in the amounts of $913,718 in 1999, $940,670 in 2000 and $849,801 in 2001 and $228,868 in the first quarter of 2002.

Pursuant to our employment agreement with Mr. Snyder, we extended two loans to Mr. Snyder, each in the aggregate principal amount of $300,000. The first loan is evidenced by a promissory note dated June 30, 2000, which bears interest at the greater of 6.6% or the prime rate plus 2.0%. The second loan is evidenced by a promissory note, dated February 27, 2001, which also bears interest at the greater of 6.6% or the prime rate plus 2.0%. Interest on both notes is waived if we achieve certain financial benchmarks. These loans are secured by a pledge of 150,000 shares of common stock owned by Mr. Snyder to us, and are payable in May 2005.

Pursuant to a registration rights agreement between us and certain of our stockholders, if we propose to register any of our securities under the Securities Act, Mr. Snyder is entitled to notice of the registration and to include his registrable shares in the offering; provided that the consent of the underwriters is required to participate in an initial public offering. We are required to bear substantially all costs incurred in these registrations, other than underwriting discounts and commissions.

We have entered into an indemnification agreement with Mr. Snyder. This agreement requires us, among other things, to indemnify Mr. Snyder against amounts actually and reasonably incurred in connection with actual or threatened proceedings if he is made a party because of his role as one of our officers and directors.

We lease our restaurant building located at 9130 South Crown Crest Boulevard, Parker, Colorado 80138, from 2J Crown Point, LLC indirectly from one of Mr. Snyder's brothers, Steve Snyder. Stol Operating, Ltd. is the manager of 2J Crown Point and Steve Snyder is the president and the sole owner of Stol Operating. The lease is for a term of 20 years, ending in January 2022, and rent due under the lease is currently $20,663 per month.

Our indoor plant maintenance supplier, Tropical Interiors, is operated by one of Mr. Snyder's brothers, Brad Snyder. We paid Tropical Interiors $132,711 in 2001, $152,279 in 2000 and $44,596 in 1999 and $36,629 in the first quarter of 2002.

Transactions involving Mr. Harvey

In May 2000, we sold an aggregate of 4,310,344 shares of our common stock to RR Investors, LLC and RR Investors II, LLC, two entities affiliated with Quad-C and its principals, for a purchase price of $25.0 million.

Edward T. Harvey, one of our directors, is the president and a director of RR Investors. In addition, Mr. Harvey holds a membership interest in Quad-C Advisors V, the general partner of RR Investor's sole member, Quad-C Partners V, L.P. Mr. Harvey is also the president and a director of RR Investors II, LLC. Mr. Harvey indirectly owns membership interests of RR Investors II.

Concurrently with this sale of our common stock to RR Investors and RR Investors II, we entered into a consulting services agreement with Quad-C Management, Inc. In accordance with this agreement, we are required to pay Quad-C Management an aggregate of $200,000 per year, payable quarterly, for consulting services. Fees paid under this agreement were $78,000 in 2000 and $200,000 in 2001 and $100,000 in the first quarter of 2002. This agreement will terminate upon the consummation of this offering. Mr. Harvey is a principal of and maintains an ownership interest in Quad-C Management.

Transactions involving Mr. Singer

Mr. Singer is a partner of O'Melveny & Myers LLP. We have engaged O'Melveny & Myers to represent us on various legal matters, including acquisitions, financings, this offering and general corporate matters.

Director compensation

As compensation for their services on our board of directors, our directors receive reimbursement for reasonable out-of-pocket expenses they incur in attending board and committee meetings. In addition, Mr. Singer, one of our non-employee directors, receives compensation for his attendance at board and committee meetings in an amount equal to $20,000 per year. We also have granted, and expect to continue to grant, non-employee director options to purchase shares of our common stock. In each of 1997, 1998 and 1999, we granted Mr. Singer options to purchase 345 shares of our common stock at an exercise price of $5.80 per share. These options are fully vested. In 2000, we granted Mr. Singer options to purchase 862 shares of our common stock at an exercise price of $5.80 per share and in 2001, we granted Mr. Singer options to purchase 862 shares of our common stock at an exercise price of $6.53 per share. These options vested immediately when granted.

As described in more detail below under "—Stock Plans—2002 Stock Incentive Plan," we intend to adopt a 2002 stock incentive plan prior to the consummation of this offering. We expect that the 2002 stock incentive plan will provide that each person who is not one of our employees or officers and who becomes a member of our board of directors after the adoption of the plan will automatically be granted a stock option covering 5,000 shares of our common stock. Additionally, we expect that the 2002 stock incentive plan will provide that immediately following each annual meeting of our stockholders during the term of the plan and commencing in 2003, each member of our board of directors then continuing in office and who is not one of our employees or directors will automatically be granted a stock option covering 1,000 shares of our common stock. A director would not receive more than one option grant under these provisions in any one calendar year. The per share purchase price of each of these options would equal the fair market value of a share of our common stock determined under the plan at the time of grant of the option and the exercise price could be paid in cash, check, or by shares of our common stock that were already owned for at least six months prior to the date of exercise. Each 5,000-share option grant is expected to have a two-year vesting schedule and each 1,000-share option grant is expected to have a one-year vesting schedule. These options would automatically vest upon a change of control, as that term is used for purposes of the plan. Our board of directors could amend these grant provisions under the plan from time to time without stockholder approval unless stockholder approval was required by law.

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Executive compensation

The following table sets forth summary information concerning compensation awarded to, earned by, or accrued for services rendered to us in all capacities by our chief executive officer and our other executive officers during 2001. The individuals listed in the table below are collectively referred to as the named executive officers.

Summary Compensation Table

				Long-Term Compensation	
	Annual Compensation(1)				
Name and Principal Position	Year	Salary($)	Bonus($)	Securities Underlying Options/SARs (#)	All Other Compensation ($)(2)
Michael J. Snyder, Chief Executive Officer	2001	$340,609	$347,288	—	$ 4,620
James P. McCloskey, Chief Financial Officer	2001	226,861	162,068(3)	—	2,793
Michael E. Woods, Senior Vice President of Franchise Development	2001	196,568	140,498(3)	—	2,562
Robert J. Merullo, Senior Vice President of Restaurant Operations	2001	207,563	147,630(3)	—	5,600
Todd A. Brighton, Vice President of Development	2001	95,192(4)	30,000	51,724	1,400
Eric C. Houseman, Vice President of Restaurant Operations	2001	128,942	48,300	8,621	1,391

(1) In accordance with the rules of the SEC, the compensation described in this table does not include a) medical, group life insurance or other benefits received by the named executive officers that are available generally to all of our salaried employees, or b) perquisites and other personal benefits received by the named executive officers that do not exceed the lesser of $50,000 or 10.0% of the officer's salary and bonus disclosed in this table.

(2) Represents premiums paid for supplemental life insurance.

(3) Includes $20,000 of bonus compensation earned during 2001 that has been deferred at the election of the named executive officer.

(4) Mr. Brighton joined Red Robin in April 2001. His annualized salary for 2001 was $150,000.

Option grants during 2001

The table below sets forth the options granted to our named executive officers during 2001. We have never issued restricted stock or stock appreciation rights.

	Individual Grants				Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Year(1)	
Name	Number of Securities Underlying Options Granted(2)	% of Total Options Granted to Employees in 2001(3)	Exercise Price per Share ($/Share)(4)	Expiration Date(5)	5.0%($)	10.0%($)
Michael J. Snyder	—	—	—	—	—	—
James P. McCloskey	—	—	—	—	—	—
Michael E. Woods	—	—	—	—	—	—
Robert J. Merullo	—	—	—	—	—	—
Todd A. Brighton	25,862	19.0%	$ 6.53	5/8/2011	274,875	437,694
	25,862	19.0	6.53	10/23/2011	274,875	437,694
Eric C. Houseman	8,621	6.3	6.53	10/23/2011	91,625	145,898

(1) The potential realizable values are based on an assumption that the stock price of our common stock will appreciate at the annual rate shown, compounded annually, from the date of grant until the end of the option term. These values do not take into account amounts required to be paid as income taxes under the Internal Revenue Code and any applicable state laws or option provisions providing for termination of an option following termination of employment, non-transferability or vesting. These amounts are calculated based on the requirements promulgated by the SEC and do not reflect our estimate of future stock price growth of the shares of our common stock.

(2) Represents options we granted under our 2000 management performance common stock option plan. These options vest over a three-year period, with 50.0% vesting on the second anniversary of the grant date and the remaining 50.0% vesting on the third anniversary of the grant date.

(3) Based on an aggregate of 136,361 shares of our common stock that are subject to options granted to employees during 2001.

(4) We granted options at an exercise price equal to the fair market value of our common stock as determined by our board of directors at the date of grant. In determining the fair market value of our common stock, the board considered various factors, including our financial condition and business prospects, operating results, the absence of a market for our common stock and the risks normally associated with investments in companies engaged in similar businesses.

(5) The term of each option we grant is generally ten years from the date of grant. Our options may terminate before their expiration date if the option holder’s status as an employee is terminated or upon the option holder’s death or disability.

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Aggregated option exercises in 2001 and year-end option values

None of our named executive officers exercised stock options during 2001. The following table sets forth the number of shares subject to both exercisable and unexercisable stock options held by our named executive officers as of December 30, 2001. The table also reports values for "in-the-money" options that represent the positive spread between the exercise prices of outstanding options and the assumed initial offering price of $15.00 per share.

	Number of Securities Underlying Unexercised Options at December 30, 2001(1)		Value of Unexercised In-the-Money Options at December 30, 2001	
Name	Exercisable	Unexercisable	Exercisable($)	Unexercisable($)
Michael J. Snyder	—	517,241	—	4,758,617
James P. McCloskey(2)	103,448	34,483	951,722	317,244
Michael E. Woods	43,103	103,448	396,548	951,722
Robert J. Merullo	—	86,207	—	793,104
Todd A. Brighton	—	51,724	—	438,102
Eric C. Houseman	3,448	22,414	31,722	199,915

(1) This table does not give effect to the exercise of stock options by certain of our executive officers in April 2002. See "Related Party Transactions—Option Exercises."

(2) Excludes options to purchase 34,483 shares of our common stock that we granted to Mr. McCloskey in January 2002.

Stock plans

As of May 19, 2002, our employees held outstanding stock options for the purchase of up to 504,466 shares of our common stock. Those options were granted under our 1990 stock option plan, our 1996 stock option plan, and our 2000 management performance common stock option plan. As of May 19, 2002, 229,742 of those options had vested and the balance were not vested. The exercise prices of those options ranged from $5.80 per share to $7.25 per share and each of those options had a maximum term of ten years from the applicable date of grant.

The following sections provide more detailed information concerning these option plans and the shares that are available for future awards under these plans.

Incentive Stock Option and Nonqualified Stock Option Plan—1990; 1996 Stock Option Plan; 2000 Management Performance Common Stock Option Plan

Our 1990 stock option plan was effective April 3, 1990, our 1996 stock option plan was effective September 6, 1996, and our 2000 management performance common stock option plan was effective May 11, 2000. Under each of these plans, we are generally authorized to grant options to purchase shares of our common stock to certain of our employees, directors, officers and consultants and certain employees, officers and consultants of our subsidiaries, except that consultant grants are authorized only under the 1996 stock option plan.

Options under these plans are either incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, or nonqualified stock options, except that only nonqualified stock options are authorized under our 2000 management performance common stock option plan.

Of the aggregate 504,466 shares that were subject to outstanding employee stock options as of May 19, 2002, 71,035 shares remained subject to awards then outstanding under our 1990 stock option plan, 149,828 shares remained subject to awards then outstanding under our 1996 stock option plan and 283,603 shares remained subject to awards then outstanding under our 2000 stock option plan. Our authority to grant new awards under the 1990 stock option plan terminated on April 2, 2000. No new awards will be granted under the 1996 stock option plan or under the 2000 management performance common stock option plan after the consummation of this offering.

Our board of directors administers each of these plans. Our board of directors may delegate its authority under any of these plans to a committee appointed by the board. The administrator of the applicable plan, either our board of directors or a committee appointed by the board, has the power to, among other things, interpret and administer the plan, determine the exercise price of the options, determine the number of shares subject to each option, determine the exercise or vesting period for each option, determine eligibility for participation in the plan and accelerate the time during which an option may be exercised. The purchase price for any shares acquired upon exercise of an option generally may be paid in cash or, subject to certain restrictions, shares of our common stock or by delivery of a promissory note. All options granted under these plans expire no later than ten years from their date of grant. Options granted under these plans are generally non-transferable other than by will or the laws of descent and distribution, except certain transfers for tax or estate planning purposes may be permitted.

As is customary in incentive plans of this nature, the share limit under each of these plans, as well as the number of shares subject to outstanding awards and the exercise prices of those awards, are subject to adjustment in the event of changes in our capital structure, reorganizations and other extraordinary events.

Each of these plans contains various change of control provisions. Stock options under our 1990 and 1996 stock option plans automatically vested as a result of the change of control that occurred following our issuance of common stock in connection with the acquisition of The Snyder Group Company and Quad-C's $25.0 million equity investment in May 2000 through its affiliates. Outstanding options under our 2000 management performance common stock option plan may become fully vested in connection with the sale or disposition of substantially all of our common stock or our assets. In addition, the plan administrator may provide for the assumption, substitution or settlement of the outstanding options under the 2000 management performance common stock option plan in the event of a "control transfer." A control transfer is defined in the 2000 management performance common stock option plan and generally includes any person or group of persons who were not our stockholders on April 30, 2000 becoming the owner of 50.0% or more of our outstanding voting shares, our merger, consolidation, or other reorganization in which any such person or group owns 50.0% or more of the outstanding voting shares of the surviving or resulting entity, or all or substantially all of our assets are sold or otherwise transferred to any such person or group.

Our board of directors may amend, suspend or discontinue these plans at any time, however, no such action may adversely alter any outstanding stock option without the consent of the optionholder. Plan amendments will generally not be submitted to stockholders for their approval unless applicable law requires such approval.

2002 Stock Incentive Plan

We intend to adopt a 2002 stock incentive plan prior to consummation of this offering to provide an additional means to attract, motivate, reward and retain key personnel. We expect our board of directors and our stockholders to approve this plan prior to the consummation of this offering. The 2002 stock incentive plan will give our board of directors, or a committee appointed by our board of directors, the authority to determine who may participate in the plan and to grant different types of stock incentive awards. Our employees, officers, directors and consultants may be selected to receive awards under the plan.

We expect that a total of approximately 900,000 shares of common stock will be authorized for issuance with respect to awards granted under the 2002 stock incentive plan. Any shares subject to awards that are not paid or exercised before they expire or are terminated will become available for other award grants under the 2002 stock incentive plan.

Awards under the plan may be in the form of nonqualified stock options, incentive stock options, stock appreciation rights, or SARs, limited stock appreciation rights or SARs limited to specific events, such as in a change in control or other special circumstances, restricted stock, performance share awards, or stock bonuses. Awards under the plan generally will be nontransferable other than by will or the laws of descent and distribution, except that the plan administrator may authorize certain transfers for tax or estate planning purposes.

Nonqualified stock options and other awards may be granted at prices below the fair market value of the common stock on the date of grant. Restricted stock awards can be issued for nominal or the minimum lawful consideration. Incentive stock options must have an exercise price that is at least equal to the fair market value of the common stock, or 110.0% of fair market value of the common stock for any 10.0% owner of our common stock, on the date of grant. These and other awards may also be issued solely or in part for services.

Our board of directors, or a committee of directors appointed by our board of directors, will have the authority to administer the plan. The administrator of the plan will have broad authority to:

- designate recipients of awards;
- determine or modify, subject to any required consent, the terms and provisions of awards, including the price, vesting provisions, terms of exercise and expiration dates;
- approve the form of award agreements;
- determine specific objectives and performance criteria with respect to performance awards;
- construe and interpret the 2002 stock incentive plan; and
- re-price, accelerate and extend the exercisability or term, and establish the events of termination or reversion of outstanding awards.

Each award granted under the 2002 stock incentive plan may, in the discretion of the plan administrator, become fully vested, exercisable, and/or payable, as applicable, upon a change of control event if the award will not be assumed or substituted for or otherwise continued after the event. A change of control, as defined in the 2002 stock incentive plan, will generally include:

- stockholder approval of our dissolution or liquidation;
- certain changes in a majority of the membership of our board of directors over a period of two years or less;
- the acquisition of more than 30.0% of our outstanding voting securities by any person other than a person who held more than 20.0% of our outstanding voting securities as of the date that the 2002 stock incentive plan was approved, a company benefit plan, or one of their affiliates, successors, heirs, relatives or certain donees or certain other affiliates;
- certain transfers of all or substantially all of our assets; and
- a merger, consolidation or reorganization (other than with an affiliate) whereby our stockholders do not own more than 50.0% of the outstanding voting securities of the resulting entity after such event.

In addition, if we terminate any participant's employment for any reason other than for cause either in express anticipation of, or within one year after a change in control event, then all awards held by that participant will vest in full immediately before his or her termination date. The plan administrator may also provide for alternative settlements (including cash payments), the assumption or substitution of awards or other adjustments in the event of a change in control event or in the context of any other reorganization of the company.

Our board of directors may amend, suspend or discontinue the plan at any time, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant. Plan amendments will be submitted to stockholders for their approval as required by applicable law. The 2002 stock incentive plan will not be exclusive—our board of directors and compensation committee may grant stock and performance incentives or other compensation, in stock or cash, under other plans or authority.

The plan will terminate on the tenth anniversary of its adoption; however, the committee will retain its authority until all outstanding awards are exercised or terminated. The maximum term of options, SARs and other rights to acquire common stock under the plan is ten years after the initial date of the award, subject to provisions for further deferred payment in certain circumstances.

The exercise price of options or other awards will generally be payable in cash or, subject to certain restrictions, shares of our common stock or, if authorized by the plan administrator, by delivery of a promissory note. Subject to any applicable limits, we may finance or offset shares to cover any minimum withholding taxes due in connection with an award.

Employee Stock Purchase Plan

We intend to adopt an employee stock purchase plan prior to consummation of this offering to provide certain of our employees with an incentive to advance the best interests of our company by providing a method whereby they may voluntarily purchase our common stock at a favorable price and upon favorable terms. We expect our board of directors and our stockholders to approve this plan prior to the consummation of this offering. Generally, all of our officers and employees who have been employed by us for at least one year and who are regularly scheduled to work more than twenty hours per week will be eligible to participate in the plan.

The plan will generally operate in successive six-month periods, or offering periods, commencing on each January 1 and July 1. We expect that the first offering period will be a short offering period and will commence after this offering and will end December 31, 2002. On the first day of each offering period, or grant date, each employee eligible to participate in the plan who has timely filed a valid election to participate for that offering period will be granted an option to purchase shares of our common stock. A participant must designate in his or her election the percentage of his or her compensation (subject to certain limits in the plan and limits under the Internal Revenue Code) to be withheld from his or her pay during that offering period on an after-tax basis and credited to a bookkeeping account maintained under the plan in his or her name.

Each option granted with respect to an offering period will automatically be exercised on the last day of that offering period, or the exercise date. The number of shares of our common stock acquired by the holder of the option will be determined by dividing the participant’s plan account balance as of the exercise date by the option price. The option price for an offering period will equal 85.0% of the fair market value of a share of our common stock on the first day of that offering period or 85.0% of the fair market value of a share of our common stock on the last day of that offering period, whichever amount is less.

Generally, a participant’s plan participation will terminate during an offering period, and his or her plan account balance will be paid to him or her in cash, if the participant elects a withdrawal of his of her contributions or if the participant’s employment by us or one of our participating subsidiaries terminates.

We expect that a total of approximately 300,000 shares of our common stock will be available under our employee stock purchase plan. As required by the Internal Revenue Code, a participant cannot purchase more than $25,000 of stock (valued at the start of the applicable offering period) under the plan in any one calendar year. Subject to this $25,000 limit, our board of directors may impose other purchase limits under the plan from time to time. In the event of a merger, consolidation, recapitalization, stock split, stock dividend, combination of shares, or other change affecting our common stock, a proportionate and equitable adjustment will be made to the number of shares subject to the plan and outstanding plan options.

The plan will be administered by our board of directors or a committee appointed by our board of directors. The plan will not limit the authority of our board of directors or the compensation committee to grant awards or authorize any other compensation, with or without reference to our common stock, under any other plan or authority.

Our board of directors may amend, modify or terminate the plan at any time and in any manner, provided that the existing rights of participants are not materially adversely affected thereby. Stockholder approval for any amendment will only be required to the extent necessary to meet the requirements of Section 423 of the Internal Revenue Code or to the extent otherwise required by law. Unless previously terminated by our board of directors, no new offering periods will commence on or after the tenth anniversary of the plan's adoption or, if earlier, when no shares remain available for options under the plan.

Employment agreements

Mike Snyder

We have an employment agreement with Mike Snyder. Pursuant to this agreement, Mr. Snyder serves as the chairman of our board, our chief executive officer and our president and receives an annual base salary of $330,750. Mr. Snyder is also entitled to participate in our annual incentive compensation plan and all other incentive, savings and retirement plans, practices, policies and programs to the same extent as other senior executive employees. The employment agreement has an initial term ending in May 2005, which will be automatically extended for additional one-year periods unless either we or Mr. Snyder give written notice not to extend the agreement.

In the event Mr. Snyder is terminated other than for cause as defined in the agreement to include, among other things, neglect in the performance of his duties, engaging willfully in misconduct in the performance of his duties and failure to follow lawful directives from the board of directors, or Mr. Snyder terminates his employment with us for a substantial breach as defined in the agreement to include a reduction in his base salary, the removal of Mr. Snyder from his current officer positions other than for cause and a change in control, Mr. Snyder will receive severance pay which includes: payment of his base salary for one year, the bonus he would have received on the next bonus payment date, and participation in our health and welfare benefit plans for himself and his family for one year. In the event Mr. Snyder's employment is terminated by reason of his death or disability, Mr. Snyder's estate will receive all accrued but unpaid and deferred compensation and shall have the right to require us to purchase common stock held by the estate having a fair market value of up to $5.0 million and Mr. Snyder's family shall have the right to participate in our health and other welfare benefit plans for one year.

Mr. Snyder has agreed not to engage in any activity relating to the casual dining business anywhere in the United States until the later of May 11, 2005 and two years following the termination of his employment.

Mike Woods

We also have an employment agreement with Mike Woods, our senior vice president of franchise development. Pursuant to the agreement, if Mr. Woods is terminated without cause he is entitled to severance pay equal to his then current base salary paid monthly for one year. We also negotiate a bonus arrangement for Mr. Woods on an annual basis. Mr. Woods' current base annual salary is $208,739. Mr. Woods' employment agreement does not have a termination date.

Indemnification of directors and executive officers and limitation on liability

Our bylaws currently provide and, upon the closing of this offering our amended and restated bylaws will provide, that we shall indemnify our directors and officers to the fullest extent permitted by Delaware law, provided that, with respect to proceedings initiated by our officers and directors, we are only required to indemnify these persons if the proceeding was authorized by our board of directors. Our bylaws permit us, by action of our board of directors, to indemnify our other employees and agents to the same extent as we are required to indemnify our officers and directors. We are also empowered under our bylaws to enter into indemnification agreements with our directors, officers, employees or agents and to purchase insurance on behalf of any of our director, officer, employee or agent whether or not we are required or permitted to indemnify such persons under Delaware law.

We have entered into indemnification agreements with certain of our directors and executive officers and intend to enter into indemnification agreements with all of our other directors and executive officers prior to the consummation of this offering. Under these agreements, we will indemnify our directors and executive officers against amounts actually and reasonably incurred in connection with actual or threatened proceedings if any of them may be made a party because of their role as one of our directors or officers. We are obligated to pay these amounts only if the officer or director acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to our best interests. For any criminal proceedings, we are obligated to pay these amounts only if the officer or director had no reasonable cause to believe his or her conduct was unlawful. The indemnification agreements also set forth procedures that will apply in the event of a claim for indemnification thereunder.

In addition, upon the closing of this offering, our amended and restated bylaws will provide that our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability:

- for any breach of the director’s duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware General Corporation Law; or
- for any transaction from which the director derives an improper personal benefit.

There is no pending litigation or proceeding involving any of our directors or officers for which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

RELATED PARTY TRANSACTIONS

Acquisition of The Snyder Group Company

In February 2000, our operating subsidiary, Red Robin International, Inc., entered into an agreement and plan of merger with The Snyder Group Company and the stockholders of The Snyder Group Company, whereby we agreed to acquire all of the outstanding capital stock of The Snyder Group Company in exchange for approximately 1.9 million shares of our common stock, $9.2 million in debentures and $1.8 million in cash and promissory notes payable to the stockholders of The Snyder Group Company. We completed this acquisition in May 2000.

In connection with this transaction, certain stockholders of The Snyder Group Company who are also one of our directors, officers or principal stockholders received the following:

- Mike Snyder, our chief executive officer, received $4,100 in cash, $5.1 million in debentures repaid by us in August 2001, $18,870 in debentures repaid by us in May 2001 and 793,647 shares of our common stock.
- Mike Woods, our senior vice president of franchise development, received $2,241 in cash, $399,934 pursuant to a promissory note repaid by us in August 2001 and 69,340 shares of our common stock.
- Bob Merullo, our senior vice president of operations, received $2,241 in cash, $399,934 pursuant to a promissory note repaid by us in August 2001 and 69,340 shares of our common stock.
- Steve Snyder, Mike Snyder's brother and the president of OTL, Ltd., one of our principal stockholders, and his wife each received $2,050 in cash, $2.1 million in debentures repaid by us in August 2001, $9,435 in debentures repaid by us in May 2001 and 396,824 shares of our common stock.

Transactions with Quad-C

In May 2000, we sold an aggregate of 4,310,344 shares of our common stock to RR Investors, LLC and RR Investors II, LLC, two entities affiliated with Quad-C and its principals, for a purchase price of $25.0 million. Edward T. Harvey, one of our directors, is the president and a director of RR Investors. In addition, Mr. Harvey holds a membership interest in Quad-C Advisors V, the general partner of RR Investor's sole member, Quad-C Partners V, L.P. Terrence D. Daniels, one of our other directors, is the vice president and secretary of RR Investors. In addition, Mr. Daniels holds a membership interest in Quad-C Advisors V. Mr. Harvey is also the president and a director and Mr. Daniels is the vice president and secretary of RR Investors II, LLC. Mr. Harvey, Mr. Daniels and certain members of their immediate families own, directly or indirectly, membership interests of RR Investors II.

Concurrently with this sale of our common stock to RR Investors and RR Investors II, we entered into a consulting services agreement with Quad-C Management, Inc. In accordance with this agreement, we are required to pay Quad-C Management an aggregate of $200,000 per year, payable quarterly, for consulting services. Fees paid under this agreement were $78,000 in 2000 and $200,000 in 2001 and $100,000 in the first quarter of 2002. This agreement will terminate upon the consummation of this offering. Mr. Harvey and Mr. Daniels are principals of and maintain ownership interests in Quad-C Management.

Option exercises

In April 2002, our board of directors approved the early exercise of options to purchase up to 775,862 shares of our common stock held by certain of our executive officers under our 2000 management performance common stock option plan and the exercise of options to purchase an additional 146,552 shares of our common stock subject to currently exercisable options held by certain of our executive officers under our 1990 and 1996 stock option plans.

- Mike Snyder elected to exercise options to purchase an aggregate of 517,241 shares of common stock. Mr. Snyder paid the exercise price by delivering a full recourse promissory note in the principal amount of $3,000,000. This promissory note bears interest at 4.65% per annum, with principal and accrued and unpaid interest due and payable on December 31, 2009.
- Jim McCloskey elected to exercise options to purchase an aggregate of 172,415 shares of common stock. Mr. McCloskey paid the exercise price by delivering three full recourse promissory notes in the aggregate principal amount of $1,050,000. These promissory notes bear interest at 4.65% per annum, with principal and accrued and unpaid interest due and payable as follows: June 26, 2006 with respect to $600,000 principal amount, December 31, 2009 with respect to $200,000 principal amount and January 29, 2012 with respect to $250,000 principal amount.
- Bob Merullo elected to exercise options to purchase 86,207 shares of common stock. Mr. Merullo paid the exercise price by delivering a full recourse promissory note in the principal amount of $500,000. This promissory note bears interest at 4.65% per annum, with principal and accrued and unpaid interest due and payable on December 31, 2009.
- Mike Woods elected to exercise options to purchase an aggregate of 146,551 shares of common stock. Mr. Woods paid the exercise price by delivering two full recourse promissory notes in the aggregate principal amount of $850,000. These promissory notes bear interest at 4.65% per annum, with principal and accrued and unpaid interest due and payable as follows: January 6, 2007 with respect to $250,000 principal amount and December 31, 2009 with respect to $600,000 principal amount.

The indebtedness represented by each executive officer's promissory note or notes becomes immediately due and payable in the event that the executive officer's employment is terminated for any reason. Each executive officer has pledged the shares acquired by him as collateral for repayment of his respective full recourse promissory note or notes. The shares acquired by each executive officer upon the early exercise of stock options are subject to a right of repurchase in our favor at the lower of the price paid by the executive officers for the shares acquired by them upon the early exercise of their stock options or the fair market value of these shares on the date that we exercise our right of repurchase. This right lapses on the same schedule that the shares underlying the original options would have become vested and exercisable as follows:

- 379,310 shares acquired by Mr. Snyder, 103,448 shares acquired by Mr. Woods, 34,483 shares acquired by Mr. McCloskey and 86,207 shares acquired by Mr. Merullo vest and become exercisable based on internal rate of return calculations to be applied upon the sale of 100% of our common stock, our initial public offering or on December 31, 2003 based upon the satisfaction of specified EBITDA targets applied annually on each of the preceding three years. Any shares that remain unvested under the EBITDA targets or the internal rate of return calculations will vest and become exercisable on April 15, 2007.
- 68,966 shares acquired by Mr. Snyder vested and became exercisable in May 2002 and the remaining 68,965 shares will vest and become exercisable in May 2003.
- 11,494 shares acquired by Mr. McCloskey will vest and become exercisable in January 2004, an additional 11,494 shares will vest and become exercisable in January 2005 and the remaining 11,495 shares will vest and become exercisable in January 2006.

Board representation and registration rights

Pursuant to an amended and restated shareholders agreement between us, entities affiliated with Quad-C, entities affiliated with Skylark Co., Ltd., and certain other of our stockholders, including Mike Snyder, the parties to the agreement agreed to vote their shares in favor of certain board nominees. See "Management—Board Composition." The stockholders party to the agreement are also subject to certain restrictions on transfer of their securities. The amended and restated shareholders agreement will terminate upon consummation of this offering.

Pursuant to a registration rights agreement, certain Quad-C affiliated entities and Skylark affiliated entities each has the right to demand that we register their shares of common stock two times; provided that the board of directors has the right to postpone a demand registration in certain circumstances. We have agreed to pay for all expenses in connection with the registration.

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In addition, if we propose to register any of our securities under the Securities Act, including in this offering, certain Quad-C affiliated entities, certain Skylark affiliated entities and certain of our other stockholders are entitled to notice of the registration and to include their registrable shares in the offering. The underwriters have the right to limit the number of shares included in the registration in their discretion. We are required to bear substantially all costs incurred in these registrations, other than underwriting discounts and commissions.

After this offering, the following stockholders will have registration rights with respect to the number of shares identified below:

Name	Number of Registrable Securities(1)
RR Investors, LLC(2)	4,144,562
Skylark Co., Ltd.	1,603,448
Michael J. Snyder	1,448,819
Hibari Guam Corporation	754,690
OTL, Ltd.(3)	621,648
Gerald R. Kingen	345,345
Michael E. Woods	212,444
RR Investors II, LLC(4)	165,782
Robert J. Merullo	150,375
Shamrock Investment Company	137,548
Amalfi Kapital, LLC	34,483
Katelyn Kingen(5)	14,655
L.V. Brown, Jr.	10,437
Beverly C. Brown	9,265
George D. Hansen	8,750
Deborah Hansen	8,564
Chelsea Merullo(6)	1,724
Jaclynn Merullo(6)	1,724
Robert John Merullo, Jr.(6)	1,724
Julia Woods(7)	1,724
Marielle Woods(7)	1,724
Total	9,679,435

(1) This table reflects the early exercise of stock options by certain of our executive officers in April 2002. See "Related Party Transactions—Option Exercises."

(2) Quad-C Partners V, L.P. is the sole member of RR Investors, LLC, and as such, controls the disposition of the shares held by RR Investors, LLC and the exercise of the registration rights.

(3) Stephen S. Snyder, as president and the sole shareholder of OTL, Ltd. controls the disposition of shares held by OTL, Ltd. and the exercise of the registration rights.

(4) Edward T. Harvey, Terrence D. Daniels and certain other principals and employees of Quad-C collectively control the disposition of the shares held by RR Investors II, LLC and the exercise of the registration rights.

(5) Gerald R. Kingen controls the disposition of these shares held by his daughter and the exercise of the registration rights.

(6) Robert J. Merullo controls the disposition of these shares held by his minor children and the exercise of the registration rights.

(7) Michael E. Woods controls the disposition of these shares held by his minor children and the exercise of the registration rights.

Indemnification agreements

For a description of our indemnification arrangements with our directors and executive officers, see "Management—Indemnification of Directors and Executive Officers and Limitation on Liability."

Other related party transactions

Mike Snyder and Bob Merullo have an ownership interest in one of our franchisees, Mach Robin, LLC. Mike Snyder owns 31.0% and Bob Merullo owns 7.0%. We recognized franchise and royalty fees from Mach Robin in the amounts of $204,969 in 1999, $415,649 in 2000 and $803,198 in 2001 and $283,704 in the first quarter of 2002. Mach Robin has a 40.0% ownership interest and a right to share in up to 60.0% of the profits of one of our other franchisees, Red Robin Restaurants of Canada, Ltd. We recognized franchise and royalty fees from Red Robin Restaurants of Canada in the amounts of $913,718 in 1999, $940,670 in 2000 and $849,801 in 2001 and $288,868 in the first quarter of 2002.

We lease our restaurant building located at 9130 South Crown Crest Boulevard, Parker, Colorado 80138, from 2J Crown Point, LLC. Stol Operating, Ltd. is the manager of 2J Crown Point, and Steve Snyder, Mike Snyder's brother and the president of OTL, Ltd., one of our principal stockholders, is the president and the sole owner of Stol Operating. The lease is for a term of 20 years, ending in January 2022, and rent due under the lease is currently $20,663 per month.

We lease our restaurant building located at 3272 Fuhrman Avenue East, Seattle, Washington 98102, from Gerald R. Kingen, who previously served on our board of directors until May 2000. The lease is for a term of nine years, ending in April 2009, and rent due under the lease is currently $11,068 per month.

On May 11, 2000, we sold an aggregate of 775,862 shares of our common stock to Hibari Guam Corporation, an affiliate of Skylark Co., Ltd., which holds in excess of 5.0% of our common stock, in exchange for the satisfaction, forgiveness and cancellation of a promissory note executed in favor of Hibari Guam in the principal amount of $4.5 million pursuant to a common stock subscription agreement.

At our request, the underwriters may offer some of our directors, executive officers and their family members the right to purchase shares of our common stock in the offering. For a further description of our directed share program, see "Underwriting."

For a further description of transactions between us and some of our directors, see "Management—Compensation Committee Interlocks and Insider Participation."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table contains information about the beneficial ownership of our common stock before and after the consummation of this offering for:

- each person who beneficially owns more than 5.0% of our capital stock;
- each of our directors;
- each named executive officer;
- all directors and executive officers as a group; and
- each selling stockholder.

Unless otherwise indicated, the address for each person or entity named below is c/o Red Robin Gourmet Burgers, Inc., 5575 DTC Parkway, Suite 110, Greenwood Village, Colorado 80111.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and except for community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership before the offering is based on 11,025,654 shares of common stock outstanding as of May 19, 2002.

	Shares Beneficially Owned Prior to the Offering(1)			Shares Beneficially Owned After the Offering(1)	
Name	**Number**	**Percent(2)**	**Shares Being Offered**	**Number**	**Percent(2)**
Quad-C Partners V, L.P.(3)	4,144,562	37.6%	—	4,144,562	27.6%
Skylark Co., Ltd.(4)	2,379,310	21.6	21,172	2,358,138	15.7
OTL, Ltd.(5)	793,648	7.2	172,000	621,648	4.1
Gaishoku System Kenkyujo Company, Ltd. (Gaiken)(6)	775,862	7.0	775,862	—	—
Hibari Guam Corporation(7)	775,862	7.0	21,172	754,690	5.0
Michael J. Snyder	1,483,302	13.5	—	1,483,302	9.9
James P. McCloskey(8)	172,412	1.6	—	172,412	1.1
Michael E. Woods(9)	215,892	2.0	—	215,892	1.4
Robert J. Merullo(10)	155,547	1.4	—	155,547	1.0
Todd A. Brighton	—	—	—	—	—
Eric C. Houseman(11)	17,241	*	—	17,241	*
Tasuku Chino(12)	—	—	—	—	—
Terrence D. Daniels(13)	4,310,344	39.1	—	4,310,344	28.7
Edward T. Harvey(14)	4,310,344	39.1	—	4,310,344	28.7
Gary J. Singer(15)	5,518	*	—	5,518	*
Directors and Executive Officers as a group (10 persons)(16)	6,360,256	57.6	—	6,360,256	42.3
Kiwamu Yokokawa(17)	68,966	*	68,966	—	—

* Represents beneficial ownership of less than one percent (1.0%) of the outstanding shares of our common stock.

(1) This table gives effect to the exercise of stock options by certain of our executive officers. See “Related Party Transactions—Option Exercises.”

(2) If a stockholder holds options or other securities that are exercisable or otherwise convertible into our common stock within 60 days of May 19, 2002, we treat the common stock underlying those securities as owned by that stockholder, and as outstanding shares when we calculate the stockholder’s percentage ownership of our common stock. However, we do not consider that common stock to be outstanding when we calculate the percentage ownership of any other stockholder.

(3) 4,144,562 shares of our common stock are owned of record by RR Investors, LLC. As the sole member of RR Investors, Quad-C Partners V, L.P. has the sole power to vote and dispose of the shares held by RR Investors. Quad-C Advisors V, L.L.C. is the general partner of Quad-C Partners V. Edward T. Harvey, one of our directors, is the president and a director of RR Investors. In addition, Mr. Harvey has an indirect management interest in RR Investors as a holder of a 15.0% membership interest in Quad-C Advisors V. Terrence D. Daniels, one of our other directors, is the vice president and secretary of RR Investors. In addition, Mr. Daniels has an indirect membership interest in RR Investors as a holder of a 40.0% membership interest in Quad-C Advisors V. This amount excludes 165,782 shares of common stock held by RR Investors II, LLC. See footnotes 13 and 14, below, for more information regarding RR Investors II. The address of this stockholder is c/o Quad-C Management, Inc., 230 East High Street, Charlottesville, Virginia 22902.

(4) Includes 775,862 shares of common stock held by Hibari Guam Corporation, an indirect wholly owned subsidiary of Skylark Co., Ltd. In this offering, Hibari Guam Corporation will sell 21,172 shares of common stock. Skylark Co., Ltd.'s address is Shacho-Shitsu Branch, 16th Floor, Shinjuku Green Tower, 6-14-1 Nishi Shinjuku, Shinjuku, Tokyo 160-0023 Japan.

(5) Consists of 793,648 shares of common stock borrowed from Stephen S. Snyder, as trustee of the Stephen S. Snyder Intervious Trust. Pursuant to the borrowing arrangement, OTL, Ltd. has sole voting and dispositive power with respect to these shares. If the over-allotment option is exercised in full, OTL, Ltd. will hold 620,638 shares of common stock after the offering. OTL, Ltd.'s address is 2300 River Road, #17, Yakima, Washington 98902.

(6) Gaishoku System Kenkyujo's address is 1-25-8 Nishikubo, Musashino-shi, Tokyo, 180 Japan.

(7) If the over-allotment option is exercised in full, Hibari Guam Corporation will not own any shares after the offering. Hibari Guam Corporation's address is 9999 South Marine Drive, Temuning, Guam 96911.

(8) Includes 3,034 shares held by the Claire C. McCloskey Trust, 3,034 shares held by the Megan L. McCloskey Trust and 3,034 shares held by the James P. McCloskey, Jr. Trust, the sole beneficiaries of which are Mr. McCloskey's children. This amount also includes 11,586 shares held by the James P. McCloskey Retained Annuity Trust.

(9) Includes an aggregate of 3,448 shares held by Mr. Woods' minor children.

(10) Includes an aggregate of 5,172 shares held by Mr. Merullo's minor children.

(11) Consists of 3,448 shares of common stock subject to options exercisable within 60 days of May 19, 2002 and 13,793 shares of common stock subject to performance-vested options which we expect to become exercisable upon consummation of the offering.

(12) Excludes 775,862 shares of common stock held by Gaishoku System Kenkyujo Company, Ltd. Mr. Chino owns approximately 25.0% of the outstanding capital stock of Gaishoku System Kenkyujo and his three brothers own the remaining 75.0% of the outstanding capital stock of Gaishoku System Kenkyujo. Mr. Chino and his three brothers are each members on the board of directors of Gaishoku System Kenkyujo. One of Mr. Chino's brothers is also the president of Gaishoku System Kenkyujo. Mr. Chino disclaims beneficial ownership of these shares.

Also excludes 2,379,310 shares of common stock held by Skylark Co., Ltd. Mr. Chino owns approximately 4.9% of the outstanding capital stock of Skylark. Mr. Chino's three brothers own an additional 14.7% of Skylark's outstanding capital stock. Mr. Chino and his three brothers are each members on the board of directors of Skylark. Mr. Chino disclaims beneficial ownership of these shares.

(13) Consists of 4,144,562 shares of common stock held by RR Investors, LLC and 165,782 shares of common stock held by RR Investors II, LLC. Mr. Daniels is the vice president and secretary of each of RR Investors and RR Investors II and, as such, shares voting and dispositive power as to the shares held by RR Investors and RR Investors II. In addition, Mr. Daniels has an indirect membership interest in RR Investors as a holder of a 40.0% membership interest in Quad-C Advisors V, L.L.C., the general partner of the sole member of RR Investors, Quad-C Partners V, L.P. Mr. Daniels also has a membership interest in RR Investors II equal to 22.5% and his four children collectively own an additional 20.8% of the outstanding membership interests of RR Investors II. Mr. Daniels disclaims beneficial ownership of these shares except to the extent of Mr. Daniels' pecuniary interest therein.

(14) Consists of 4,144,562 shares of common stock held by RR Investors, LLC and 165,782 shares of common stock held by RR Investors II, LLC. Mr. Harvey is the president and a director of each of RR Investors and RR Investors II and, as such, shares voting and dispositive power as to the shares held by RR Investors and RR Investors II. In addition, Mr. Harvey has an indirect membership interest in RR Investors as a holder of a 15.0% membership interest in Quad-C Advisors V, L.L.C., the general partner of the sole member of RR Investors, Quad-C Partners V, L.P. Mr. Harvey also has an indirect membership interest in RR Investors II through High Street Holdings, L.C., in which he is the manager and has an 80.0% ownership interest. Mr. Harvey disclaims beneficial ownership of these shares except to the extent of Mr. Harvey's pecuniary interest therein.

(15) Includes 2,759 shares of common stock subject to options exercisable within 60 days of May 19, 2002.

(16) Includes 6,207 shares of common stock subject to options exercisable within 60 days of May 19, 2002 and 13,793 shares of common stock subject to performance-vested options which we expect to become exercisable upon consummation of the offering.

(17) Consists of 68,966 shares of common stock subject to options exercisable within 60 days of May 19, 2002. Mr. Yokokawa has notified us that he intends to exercise these options prior to the offering. Mr. Yokokawa's address is 3-2-11 Aobadai, Meguro-ku, Tokyo 153-0042.

DESCRIPTION OF CAPITAL STOCK

Prior to the consummation of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock consists of 50,000,000 shares of common stock, $0.001 par value per share, and 1,000,000 shares of preferred stock, $0.001 par value per share. Immediately following the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 50,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.001 par value per share. As of May 19, 2002, there were 11,025,654 shares of common stock outstanding, held of record by 75 stockholders, and options to purchase 504,466 shares of common stock.

Common stock

Under our amended and restated certificate of incorporation, the holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. After payment of any dividends due and owing to the holders of preferred stock, holders of common stock are entitled to receive dividends declared by the board of directors out of funds legally available for dividends. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share in all assets remaining after payment of liabilities and liquidation preferences of outstanding shares of preferred stock. Holders of common stock have no preemptive, conversion, subscription or other rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

Preferred stock

In accordance with our amended and restated certificate of incorporation, our board of directors has the authority, without further action by the stockholders, to issue up to 5,000,000 shares of preferred stock. Our board of directors may issue preferred stock in one or more series and may determine the rights, preferences, privileges, qualifications and restrictions granted to or imposed upon the preferred stock, including dividend rights, conversion rights, voting rights, rights and terms of redemption, liquidation preferences and sinking fund terms, any or all of which may be greater than the rights of the common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and reduce the likelihood that common stockholders will receive dividend payments and payments upon liquidation. The issuance of preferred stock could also have the effect of decreasing the market price of the common stock and could delay, deter or prevent a change in control of our company. We have no present plans to issue any shares of preferred stock.

Registration rights

Pursuant to a registration rights agreement between us and certain of our stockholders, if at any time we propose to register our common stock under the Securities Act for our own account or the account of any of our stockholders or both, the stockholders party to the registration rights agreement are entitled to notice of the registration and to include registrable shares in the offering, provided that the underwriters of that offering do not limit the number of shares included in the registration. After this offering, the stockholders with these registration rights will hold an aggregate of 9,679,435 shares of our common stock. We are required to bear substantially all costs incurred in these registrations, other than underwriting discounts and commissions. The registration rights described above could result in substantial future expenses for us and adversely affect any future equity or debt offerings.

Anti-takeover provisions

Delaware law

We are governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes mergers, asset sales or other transactions resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns (or within three years, did own) 15.0% or more of the company’s voting stock. The statute could delay, defer or prevent a change in control of our company.

Certificate of incorporation and bylaw provisions

Various provisions contained in our amended and restated certificate of incorporation and bylaws could delay or discourage some transactions involving an actual or potential change in control of us or our management and may limit the ability of stockholders to remove current management or approve transactions that stockholders may deem to be in their best interests and could adversely affect the price of our common stock. These provisions:

- authorize our board of directors to establish one or more series of preferred stock, the terms of which can be determined by the board of directors at the time of issuance;
- divide our board of directors into three classes of directors, with each class serving a staggered three-year term. As the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may maintain the composition of the board of directors;
- do not provide for cumulative voting in the election of directors unless required by applicable law. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors;
- provide that a director may be removed from our board of directors only for cause, and then only by a supermajority vote of the outstanding shares;
- require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;
- state that special meetings of our stockholders may be called only by the chairman of the board of directors, our chief executive officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10.0% of our outstanding voting stock;
- provide that the chairman or other person presiding over any stockholder meeting may adjourn the meeting whether or not a quorum is present at the meeting;
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- provide that certain provisions of our certificate of incorporation can be amended only by supermajority vote of the outstanding shares, and that our bylaws can be amended only by supermajority vote of the outstanding shares or our board of directors;
- allow our directors, not our stockholders, to fill vacancies on our board of directors; and
- provide that the authorized number of directors may be changed only by resolution of the board of directors.

Listing

Our common stock has been approved for quotation on The Nasdaq Stock Market’s National Market under the trading symbol “RRGB.”

Transfer agent and registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of common stock in the public market could adversely affect market prices prevailing from time to time. Upon completion of this offering, we will have outstanding an aggregate of 15,025,654 shares of common stock. Of these shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased by our "affiliates", as that term is defined in Rule 144 of the Securities Act, may generally only be sold in compliance with the limitations of Rule 144 described below.

Sales of restricted shares

The 11,025,654 shares of common stock held by existing stockholders as of May 19, 2002 are "restricted securities" under Rule 144. The number of shares of common stock available for sale in the public market is limited by restrictions under the Securities Act. Our directors, officers and a significant number of our stockholders, who together will own a majority of the shares of our common stock outstanding after the offering, have entered or will enter into lock-up agreements with the underwriters prior to the consummation of this offering, pursuant to which we and those holders of stock and options have agreed or will agree not to, directly or indirectly, sell, dispose of or hedge any shares of common stock or securities convertible into or exchangeable for shares of common stock without the prior consent of Banc of America Securities LLC for a period of 180 days after the date of this prospectus. This consent may be given at any time without public notice.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who has beneficially owned restricted shares for at least one year (including the holding period of any prior owner, except if the prior owner was an affiliate) would be entitled to sell within any three-month period a number of shares that does not exceed the greater of: (a) one percent of the number of shares of common stock then outstanding (which will equal approximately 150,257 shares immediately after the offering); or (b) the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale. Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owners except a prior owner who was an affiliate), is entitled to sell its shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144; therefore, unless otherwise restricted, "144(k) shares" could be sold immediately upon the completion of this offering. After this offering, an aggregate of approximately 614,927 shares qualified as 144(k) shares which are not otherwise restricted.

Registration rights

Upon completion of this offering, holders of 9,679,435 shares of our common stock will be entitled to certain rights with respect to the registration of their shares under the Securities Act. See "Description of Capital Stock—Registration Rights." Except for shares purchased by affiliates, registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. These stockholders are not permitted to exercise their registration rights for at least six months following this offering.

Stock options and stock plans

Immediately after the offering, we intend to file registration statements under the Securities Act covering:

- up to 504,466 shares of common stock reserved for issuance upon exercise of options outstanding as of May 19, 2002;
- up to 1,475,690 shares of common stock that may be issued with respect to awards that may be granted in the future under our stock option plans; and
- up to 300,000 shares of common stock that may be issued to our employees pursuant to our employee stock purchase plan.

We expect the registration statements to be filed and become effective as soon as practicable after the closing of the offering. Shares registered under these registration statements will, once issued, be available for sale in the open market after the effective date of the applicable registration statement, subject to prohibitions on sales or transfers for a period of 180 days after the date of this prospectus under lock-up arrangements that we have entered into with some holders of these securities, or that some holders have entered into with the underwriters, and subject to the timing and volume limitations of Rule 144 with regard to our affiliates or Rule 701 under the Securities Act.

U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of certain U.S. federal income and estate tax consequences of the acquisition, ownership, and disposition of our common stock purchased pursuant to this offering by a beneficial owner that, for U.S. federal income tax purposes, is a non-U.S. holder. As used in this prospectus, the term "non-U.S. holder" is a person that is not, for U.S. Federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. tax purposes) or partnership (including any entity treated as a partnership for U.S. tax purposes) created or organized in the United States or under the laws of the United States or of any political subdivision of the United States, other than a partnership treated as foreign under U.S. Treasury regulations;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, in general, if its administration is subject to the primary supervision of a U.S. court and one or more U.S. persons have the authority to control all of its substantial decisions, or if it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This discussion assumes that you will hold our common stock issued pursuant to this offering as a capital asset within the meaning of the Internal Revenue Code of 1986, as amended, or the Code. This discussion does not address all aspects of taxation that may be relevant to particular non-U.S. holders in light of their personal investment or tax circumstances or to persons that are subject to special tax rules. In particular, this description of U.S. tax consequences does not address:

- U.S. state and local or non-U.S. tax consequences;
- specific facts and circumstances that may be relevant to a particular non-U.S. holder's tax position, including, if the non-U.S. holder is an entity that is treated as a partnership for U.S. tax purposes, the U.S. tax consequences of holding and disposing our common stock may be affected by determinations made at the partner level;
- the tax consequences for the shareholders, partners or beneficiaries of a non-U.S. holder;
- special tax rules that may apply to some non-U.S. holders, including without limitation, banks, insurance companies, financial institutions, broker-dealers, tax-exempt entities, or U.S. expatriates; or
- special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a straddle, hedge or conversion transaction.

This discussion is based on current provisions of the Code, U.S. Treasury regulations, judicial opinions, published positions of the U.S. Internal Revenue Service, or the IRS, and other applicable authorities, all as in effect on the date hereof and all of which are subject to differing interpretations or change, possibly with retroactive effect. We have not sought, and will not seek, any ruling from the IRS or any opinion of counsel with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained. Furthermore, this discussion does not give a detailed discussion of any state, local or foreign tax considerations.

We urge you to consult your tax advisor about the U.S. federal tax consequences of acquiring, holding or disposing our common stock, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction or under any applicable tax treaty.

Dividends

We do not anticipate paying cash dividends on our common stock in the foreseeable future. If dividends are paid to non-U.S. holders on shares of our common stock, however, such dividends will generally be subject to withholding of U.S. federal income tax at the rate of 30.0% or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty (including, without limitation, the need to obtain a U.S. taxpayer identification number).

Dividends that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States, directly or through an entity treated as a partnership for U.S. tax purposes, or, if provided in an applicable income tax treaty, dividends that are attributable to a permanent establishment in the United States, are not subject to the U.S. withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated rates. Certain certification and disclosure requirements must be complied with in order for effectively connected income or income attributable to a permanent establishment to be exempt from withholding. Any effectively connected dividends or dividends attributable to a permanent establishment received by a non-U.S. holder that is treated as a foreign corporation for U.S. tax purposes may be subject to an additional "branch profits tax" at a 30.0% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder who claims the benefit of an applicable income tax treaty rate generally will be required to satisfy applicable certification and other requirements. However,

- in the case of common stock held by a foreign partnership, the certification requirement will generally be applied to the partners of the partnership and the partnership will be required to provide certain information;
- in the case of common stock held by a foreign trust, the certification requirement will generally be applied to the trust or the beneficial owners of the trust depending on whether the trust is a "foreign complex trust," "foreign simple trust," or "foreign grantor trust" as defined in the U.S. Treasury regulations; and
- look-through rules will apply for tiered partnerships, foreign simple trusts and foreign grantor trusts.

A non-U.S. holder that is a foreign partnership or a foreign trust is urged to consult its own tax advisor regarding its status under these U.S. Treasury regulations and the certification requirements applicable to it.

A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS.

Gain on disposition

A non-U.S. holder will generally not be subject to U.S. federal income tax, including by way of withholding, on gain recognized on a sale, exchange or other disposition of our common stock unless any one of the following is true:

1. The non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other requirements are met;
2. The gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, directly or through an entity treated as a partnership for U.S. tax purposes and, if an applicable tax treaty requires, attributable to a U.S. permanent establishment of such non-U.S. holder; or
3. Our common stock constitutes a U.S. real property interest by reason of our status as a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of (i) the period during which the non-U.S. holder holds our common stock or (ii) the 5-year period ending

on the date the non-U.S. holder disposes of our common stock. As long as our common stock is regularly traded on an established securities market for tax purposes, our common stock will not be treated as a U.S. real property interest with respect to a non-U.S. holder that has not beneficially owned more than 5.0% of such regularly traded common stock at any time within the five-year period preceding such disposition. We believe that we are a U.S. real property holding corporation and will remain a U.S. real property holding corporation for the foreseeable future. See discussion below.

Non-U.S. holders described in clause (1) above are taxed on their gains (including gains from sales of our common stock and net of applicable U.S. losses from sales or exchanges of other capital assets incurred during the year) at a flat rate of 30.0% or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. holders described in clause (2) or (3) above will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. If a non-U.S. holder described in clause (2) is a corporation, it may be subject to the branch profits tax at a rate equal to 30.0% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

In general, we will be treated as a "U.S. real property holding corporation" if the fair market value of our "U.S. real property interests" equals or exceeds 50.0% of the sum of the fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business. The determination of the fair market value of our assets and, therefore, whether we are a U.S. real property holding corporation at any given time, will depend on the particular facts and circumstances applicable at the time.

However, even if we are or have been a U.S. real property holding corporation, a non-U.S. holder which did not beneficially own, directly or indirectly, more than 5.0% of the total fair market value of our common stock at any time during the shorter of the five-year period ending on the date of disposition or the period that our common stock was held by the non-U.S. holder (a "non-5.0% holder") and which is not otherwise taxed under any other circumstances described above, generally will not be taxed on any gain realized on the disposition of our common stock if, at any time during the calendar year of the disposition, our common stock was regularly traded on an established securities market within the meaning of the applicable U.S. Treasury regulations.

We have applied to have our common stock listed on the NASDAQ. Although not free from doubt, our common stock should be considered to be regularly traded on an established securities market for any calendar quarter during which it is regularly quoted on NASDAQ by brokers or dealers that hold themselves out to buy or sell our common stock at the quoted price. If our common stock were not considered to be regularly traded on NASDAQ at any time during the applicable calendar year, then a non-5.0% holder would be taxed for U.S. federal income tax purposes on any gain realized on the disposition of our common stock on a net income basis as if the gain were effectively connected with the conduct of a U.S. trade or business by the non-5.0% holder during the taxable year and, in such case, the person acquiring our common stock from a non-5.0% holder generally would have to withhold 10.0% of the amount of the proceeds of the disposition. Such withholding may be reduced or eliminated pursuant to a withholding certificate issued by the IRS in accordance with applicable U.S. Treasury regulations. We urge all non-U.S. holders to consult their own tax advisors regarding the application of these rules to them.

U.S. federal estate taxes

Our common stock beneficially owned or treated as beneficially owned by an individual who at the time of death is a non-U.S. holder will be included in his or her estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

Information reporting and backup withholding

Under U.S. Treasury regulations, we must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such non-U.S. holder and the tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced or eliminated by an applicable tax treaty. Pursuant to an applicable tax treaty, that information may also be made available to the tax authorities in the country in which the non-U.S. holder resides.

The gross amount of dividends paid to a non-U.S. holder that fails to certify its non-U.S. holder status in accordance with applicable U.S. Treasury regulations generally will be reduced by backup withholding at the applicable rate (currently 30.0%, subject to a schedule that reduces the rate over time to 28.0% in 2006).

A non-U.S. holder is required to certify its non-U.S. status in order to avoid information reporting and backup withholding on disposition proceeds where the transaction is effected by or through a U.S. office of a broker.

U.S. information reporting and backup withholding generally will not apply to a payment of proceeds of a disposition of common stock where the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, information reporting requirements, but not backup withholding, generally will apply to such a payment if the broker is (i) a U.S. person; (ii) a foreign person that derives 50.0% or more of its gross income for certain periods from the conduct of a trade or business in the United States; (iii) a controlled foreign corporation as defined in the Code; or (iv) a foreign partnership with certain U.S. connections, unless the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met or the holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Amounts that we withhold under the backup withholding rules may be refunded or credited against the non-U.S. holder's U.S. federal income tax liability if certain required information is furnished to the IRS. Non-U.S. holders should consult their own tax advisors regarding application of backup withholding in their particular circumstance and the availability of and procedure for obtaining an exemption from backup withholding under current U.S. Treasury regulations.

The foregoing discussion is only a summary of certain U.S. federal income and estate tax consequences of the ownership, sale or other disposition of our common stock by non-U.S. holders. You are urged to consult your own tax advisor with respect to the particular tax consequences to you of ownership and disposition of our common stock, including the effect of any U.S., state, local, non-U.S. or other tax laws and any applicable income or estate tax treaty.

UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. Banc of America Securities LLC, U.S. Bancorp Piper Jaffray Inc. and First Union Securities, Inc. are acting as representatives of the underwriters. We have entered into a firm commitment underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

Underwriter	Number of Shares
Banc of America Securities LLC	
U.S. Bancorp Piper Jaffray Inc.	
Wachovia Securities, Inc.	
Total	5,038,000

The underwriters initially propose to offer shares to the public at the price specified on the cover page of this prospectus. The underwriters may allow some dealers a concession of no more than $ per share. The underwriters also may allow, and any dealer may reallow, a concession of no more than $ per share to some other dealers. If all the shares are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The common stock is offered subject to a number of conditions, including:

- receipt and acceptance of our common stock by the underwriters, and
- the right to reject orders in whole or in part.

The underwriters have an option to buy up to 755,700 additional shares of common stock from some of the selling stockholders to cover sales of shares by the underwriters which exceed the number of shares specified in the table above at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each be obligated, subject to certain conditions, to purchase additional shares approximately in proportion to the amounts specified in the table above. If any additional shares are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered. We will pay the expenses associated with the exercise of the over-allotment option.

The underwriting fee is equal to the public offering price per share of the common stock less the amount paid by the underwriters to us per share of common stock. The underwriting fee is % of the initial public offering price. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Paid by Red Robin	
	No Exercise	Full Exercise
Per Share		
Total		

	Paid by the Selling Stockholders	
	No Exercise	Full Exercise
Per Share		
Total		

In addition, we estimate that our share of total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $1.2 million.

Our directors, officers and a significant number of our stockholders, who together will own a majority of the shares of our common stock outstanding after the offering, have entered or will enter into lock-up agreements with the underwriters prior to the consummation of this offering, pursuant to which we and those holders of stock and options have agreed or will agree not to, directly or indirectly, sell, dispose of or hedge any shares of common stock or securities convertible into or exchangeable for shares of common stock without the prior consent of Banc of America Securities LLC for a period of 180 days after the date of this prospectus. This consent may be given at any time without public notice.

Our common stock has been approved for quotation on The Nasdaq National Market under the symbol "RRGB."

We will indemnify the underwriters against some specified types of liabilities, including some liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments the underwriters may be required to make in respect to those liabilities.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress.

These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option.

A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

As a result of these activities, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on The Nasdaq National Market, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares of common stock offered by this prospectus.

The selling stockholders may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act in connection with the sales of shares and will be subject to the prospectus delivery requirements of the Securities Act.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiation between us and the representatives. Among the factors considered in those negotiations are:

- the history of, and prospects for, our company and the industry in which we compete,
- the past and present financial performance of our company,
- an assessment of our management,
- the present state of our development,
- the prospects for our future earnings,
- the prevailing market conditions of the applicable United States securities market at the time of this offering,
- market valuations of publicly traded companies that we and the representatives of the underwriters believe to be comparable to our company, and
- other factors deemed relevant.

The estimated initial public offering price set forth on the cover of this prospectus is subject to change as a result of market conditions and other factors.

The underwriters, at our request, have reserved for sale to our employees, business associates and possible other third parties at the initial public offering price up to five percent of the shares being offered by this prospectus. The sale of shares to our employees, business associates and possible other third parties will be made by Banc of America Securities LLC. The purchasers of these shares will not be subject to a lock-up except as required by the NASD, which requires a 90-day lock-up in specified circumstances, or to the extent such purchasers are subject to a lock-up agreement with the underwriters as described above. We do not know if our employees, business associates and possible other third parties will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. If all of these reserved shares are not purchased, the underwriters will offer the remainder to the general public on the same terms as the other shares offered by this prospectus.

Certain of the underwriters and their affiliates have in the past provided, and may in the future provide, investment banking and other financial and banking services to us for which they have in the past received, and may in the future receive, customary fees.

LEGAL MATTERS

The validity of the shares of common stock offered in this prospectus will be passed upon for us by O'Melveny & Myers LLP, Newport Beach, California. One of our directors, Gary J. Singer, is a partner of O'Melveny & Myers LLP and owns 2,759 shares of our common stock and options to purchase 2,759 shares of our common stock. Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), New York, New York, will pass upon certain legal matters in connection with this offering for the underwriters.

EXPERTS

Our financial statements as of December 31, 2000 and December 30, 2001, and for the years ended December 26, 1999, December 31, 2000 and December 30, 2001 included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of The Snyder Group Company for the year ended December 26, 1999, and for the period December 27, 1999 through May 10, 2000, included in this prospectus and in the registration statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in reliance upon the authority of said firm as experts in giving said reports. We were unable to obtain Arthur Andersen's consent to the use of its reports dated August 18, 2000 and June 7, 2000 and the references to Arthur Andersen included in this prospectus and in the registration statement, because The Snyder Group Company's engagement partner is no longer with Arthur Andersen.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the common stock offered by this prospectus. As permitted by the rules and regulations of the SEC, this prospectus, which is a part of the registration statement, omits various information, exhibits, schedules and undertakings included in the registration statement. For further information pertaining to us and the common stock offered under this prospectus, reference is made to the registration statement and the attached exhibits and schedules. Although required material information has been presented in this prospectus, statements contained in this prospectus as to the contents or provisions of any contract or other document referred to in this prospectus may be summary in nature, and in each instance reference is made to the copy of this contract or other document filed as an exhibit to the registration statement, and each statement is qualified in all respects by this reference.

A copy of the registration statement may be inspected without charge at the public reference facilities maintained by the SEC at the Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of all or any part of the registration statement may be obtained from the SEC's offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference facilities. In addition, registration statements and certain other filings made with the commission through its Electronic Data Gathering, Analysis and Retrieval system, including our registration statement and all exhibits and amendments to our registration statement, are publicly available through the SEC's website at www.sec.gov.

After this offering, we will have to provide the information and reports required by the Securities Exchange Act of 1934, as amended, and we will file periodic reports, proxy statements and other information with the Securities and Exchange Commission.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Red Robin Gourmet Burgers, Inc.
Greenwood Village, Colorado

We have audited the accompanying consolidated balance sheets of Red Robin Gourmet Burgers, Inc. (the Company) and subsidiaries as of December 30, 2001 and December 31, 2000, and the related consolidated statements of income, stockholders' equity (deficit) and cash flows for the years ended December 30, 2001, December 31, 2000 and December 26, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Red Robin Gourmet Burgers, Inc. and subsidiaries as of December 30, 2001 and December 31, 2000, and the results of their operations and their cash flows for the years ended December 30, 2001, December 31, 2000 and December 26, 1999 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
Denver, Colorado
February 19, 2002, except for the third and fourth paragraphs of note 15,
as to which the date is April 26, 2002 and for the fifth paragraph of note 15,
as to which the date is June 4, 2002

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2000	December 30, 2001	Apri 21, 2002
			(unaudited)
Assets			
Current Assets:			
Cash and cash equivalents	$ 8,316,826	$ 18,992,153	$ 6,546,609
Accounts receivable, net	3,398,531	2,697,197	1,759,508
Inventories	2,607,272	2,745,898	3,070,691
Prepaid expenses and other current assets	1,866,486	2,072,715	1,969,917
Income tax refund receivable	1,045,494	25,379	—
Deferred tax asset	3,371,444	1,667,165	1,666,888
Restricted current assets—marketing funds	834,121	680,607	149,509
Total current assets	21,440,174	28,881,114	15,163,122
Real estate held for sale	3,696,574	842,496	1,892,496
Property and equipment, net	72,159,703	82,451,120	91,426,758
Deferred tax asset	8,172,572	8,652,382	8,188,128
Goodwill, net	23,114,528	22,554,777	25,666,132
Other assets, net	12,300,847	11,059,097	11,851,810
Total assets	$ 140,884,398	$ 154,440,986	$ 154,188,446

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2000	December 30, 2001	April 21, 2002
			(unaudited)
Liabilities and Stockholders' Equity			
Current Liabilities:			
Trade accounts payable	$ 5,004,767	$ 5,669,512	$ 6,400,657
Accrued payroll and payroll-related liabilities	4,951,330	7,254,058	6,968,507
Unredeemed gift certificates	2,237,199	2,341,504	1,940,474
Accrued liabilities	6,209,630	7,200,640	6,091,692
Accrued liabilities—marketing funds	834,121	680,607	149,509
Current portion of long-term debt	4,387,221	5,077,515	4,659,936
Total current liabilities	23,624,268	28,223,836	26,210,775
Deferred rent payable	3,761,506	4,229,199	4,419,729
Long-term debt	74,025,280	75,009,577	74,083,144
Commitments and contingencies (note 10)	—	—	—
Stockholders' Equity:			
Common stock, $.001 par value: 50,000,000 shares authorized; 10,076,343, 10,090,312 and 10,090,485 (unaudited) shares issued and outstanding, respectively	10,076	10,090	10,090
Preferred stock, $.001 par value: 1,000,000 shares authorized; no shares issued and outstanding	—	—	—
Additional paid-in capital	53,373,858	53,454,868	53,744,568
Deferred compensation	—	—	(268,808)
Note receivable from stockholder/officer	(300,000)	(600,000)	(600,000)
Accumulated deficit	(13,610,590)	(5,886,584)	(3,411,052)
Total stockholders' equity	39,473,344	46,978,374	49,474,798
Total liabilities and stockholders' equity	$ 140,884,398	$ 154,440,986	$ 154,188,446

See Notes to Consolidated Financial Statements.

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RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended			Quarter Ended	
	December 26, 1999	December 31, 2000	December 30, 2001	April 22, 2001	April 21, 2002
				(unaudited)	(unaudited)
Revenues:					
Restaurant	$ 121,430,239	$ 180,413,546	$ 214,963,264	$ 64,571,686	$ 76,316,992
Franchise royalties and fees	8,248,810	8,247,439	9,002,090	2,821,838	2,757,151
Rent revenue	333,101	509,514	519,408	120,025	126,918
Total revenues	130,012,150	189,170,499	224,484,762	67,513,549	79,201,061
Costs and Expenses:					
Restaurant operating costs:					
Cost of sales	30,158,666	43,945,312	50,913,947	15,952,422	17,896,612
Labor	43,503,825	64,565,631	74,853,721	22,638,733	27,427,930
Operating	19,429,491	27,959,620	33,194,842	10,316,432	11,412,408
Occupancy	7,997,915	11,519,135	14,785,060	4,166,616	5,282,328
Restaurant closures and impairment	(330,000)	1,302,186	36,359	—	—
Depreciation and amortization	5,394,203	8,065,141	10,491,058	3,152,425	3,599,192
General and administrative	13,434,319	17,116,344	16,844,988	4,544,588	5,711,748
Franchise development	2,508,426	3,386,169	3,703,485	1,610,027	1,361,654
Pre-opening costs	770,597	2,506,387	920,845	5,354	516,540
Total costs and expenses	122,867,442	180,365,925	205,744,305	62,386,597	73,208,412
Income from operations	7,144,708	8,804,574	18,740,457	5,126,952	5,992,649
Other (Income) Expense:					
Interest expense	4,155,967	6,482,028	7,850,101	2,499,370	2,217,050
Interest income	(185,912)	(741,521)	(746,344)	(208,015)	(99,858)
Other	390,971	190,715	190,437	63,227	25,461
Total other expense	4,361,026	5,931,222	7,294,194	2,354,582	2,142,653
Income before income taxes	2,783,682	2,873,352	11,446,263	2,772,370	3,849,996
(Provision) benefit for income taxes	1,595,989	12,557,195	(3,722,257)	(901,020)	(1,374,464)
Net income	$ 4,379,671	$ 15,430,547	$ 7,724,006	$ 1,871,350	$ 2,475,532
Net Income Per Share:					
Basic	$ 1.47	$ 2.07	$ 0.77	$ 0.19	$ 0.25
Diluted	$ 1.47	$ 2.07	$ 0.75	$ 0.18	$ 0.23
Weighted Average Shares Outstanding:					
Basic	2,971,407	7,443,893	10,085,468	10,076,416	10,090,419
Diluted	2,971,407	7,443,893	10,235,917	10,169,596	10,649,738

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional Paid-In Capital	Deferred Compensation	Note Receivable from Stockholder/ Officer	Accumulated Deficit	Total
	Shares	Amount					
Balance, December 27, 1998	2,970,578	$ 2,970	$14,127,325	—	—	$(33,420,808)	$(19,290,513)
Options exercised for common stock	8,620	9	49,991	—	—	—	50,000
Net income	—	—	—	—	—	4,379,671	4,379,671
Balance, December 26, 1999	2,979,198	2,979	14,177,316	—	—	(29,041,137)	(14,860,842)
Common stock issued:							
For the acquisition of The Snyder Group Company, net of offering costs of $1,959,799	1,889,708	1,890	8,998,617	—	—	—	9,000,507
For the conversion of debt owed to a related party	775,862	776	4,499,224	—	—	—	4,500,000
To affiliates of Quad-C, a related party	4,310,344	4,310	24,995,690	—	—	—	25,000,000
Other	114,507	114	664,018	—	—	—	664,132
Options exercised for common stock	6,724	7	38,993	—	—	—	39,000
Issuance of note receivable-stockholder/officer	—	—	—	—	(300,000)	—	(300,000)
Net income	—	—	—	—	—	15,430,547	15,430,547
Balance, December 31, 2000	10,076,343	10,076	53,373,858	—	(300,000)	(13,610,590)	39,473,344
Common stock issued	9,659	10	56,014	—	—	—	56,024
Options exercised for common stock	4,310	4	24,996	—	—	—	25,000
Issuance of note receivable-stockholder/officer	—	—	—	—	(300,000)	—	(300,000)
Net income	—	—	—	—	—	7,724,006	7,724,006
Balance, December 30, 2001	10,090,312	10,090	53,454,868	—	(600,000)	(5,886,584)	46,978,374
Deferred compensation (unaudited)	—	—	288,700	(288,700)	—	—	—
Amortization of deferred compensation (unaudited)	—	—	—	19,892	—	—	19,892
Options exercised for common stock (unaudited)	173	—	1,000	—	—	—	1,000
Net income (unaudited)	—	—	—	—	—	2,475,532	2,475,532
Balance, April 21, 2002 (unaudited)	10,090,485	$10,090	$53,744,568	$ (268,808)	$ (600,000)	$ (3,411,052)	$ 49,474,798

See Notes to Consolidated Financial Statements

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RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended			Quarter Ended	
	December 26, 1999	December 31, 2000	December 30, 2001	April 22, 2001	April 21, 2002
				(unaudited)	(unaudited)
Cash Flows From Operating Activities:					
Net income	$ 4,379,671	$ 15,430,547	$ 7,724,006	$ 1,871,350	$ 2,475,532
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:					
Stock-based compensation	—	—	—	—	19,892
Depreciation and amortization	5,394,203	8,065,141	10,491,058	3,152,425	3,599,192
Loss (gain) on sale of property and equipment	52,252	(61,832)	191,552	45,982	1,949
Noncash restaurant closure and impairment costs	(330,000)	1,302,186	36,359	—	—
Provision for doubtful accounts, net of charge-offs	104,732	1,272,256	698,316	333,152	16,193
Provision (benefit) for deferred income taxes	(2,186,121)	(13,235,077)	1,224,469	(298,394)	937,795
Changes in operating assets and liabilities:					
Accounts receivable	(1,405,280)	(1,981,133)	531,837	287,102	921,871
Inventories	(347,042)	(1,051,706)	(138,626)	187,353	(206,003)
Prepaid expenses and other current assets	(187,668)	(906,078)	(206,229)	285,003	308,854
Income tax refund receivable	(133,879)	(254,491)	1,020,116	1,045,494	25,378
Other assets	(815,424)	345,880	72,192	(321,828)	(411,448)
Trade accounts payable and accrued liabilities	2,509,359	(1,486,592)	3,426,428	(1,714,004)	(2,079,270)
Deferred rent payable	272,365	660,741	467,693	126,428	190,530
Net cash provided by operating activities	7,307,168	8,099,842	25,539,171	5,000,063	5,800,465
Cash Flows From Investing Activities:					
Proceeds from sales of real estate, property and equipment	44,144	1,209,449	2,648,232	513,853	50,603
Purchases of property and equipment	(16,301,773)	(20,196,996)	(18,675,387)	(3,430,293)	(10,708,626)
Purchase of Western Franchise Development	—	—	—	—	(6,320,265)
Purchase of The Snyder Group Company	—	(1,572,900)	(56,024)	(56,024)	—
Issuance of notes receivable—stockholder/officer	—	(300,000)	(300,000)	(300,000)	—
Net cash used in investing activities	(16,257,629)	(20,860,447)	(16,383,179)	(3,272,464)	(16,978,288)
Cash Flows From Financing Activities:					
Proceeds from issuance of long-term debt	9,500,000	53,133,034	6,376,775	5,356,752	329,988
Debt issuance costs	—	(2,052,642)	(459,419)	—	—
Amortization of debt issuance costs	32,084	83,882	223,139	64,671	75,291
Payments of long-term debt and capital leases	(1,100,697)	(48,007,002)	(4,702,184)	(1,439,301)	(1,674,000)

(Continued)

See Notes to Consolidated Financial Statements.

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RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended			Quarter Ended	
	December 26, 1999	December 31, 2000	December 30, 2001	April 22, 2001	April 21, 2002
				(unaudited)	(unaudited)
Repayment of debentures	—	(9,160,363)	—	—	—
Repayment of promissory note	—	(1,799,938)	—	—	—
Sale of common stock to Quad C, a related party	—	23,040,201	—	—	—
Sale of common stock	50,000	664,132	81,024	56,124	1,000
Net cash provided by (used in) financing activities	8,481,387	15,901,304	1,519,335	4,038,246	(1,267,721)
Net increase (decrease) in cash and cash equivalents	$ (469,074)	$ 3,140,699	$ 10,675,327	$ 5,765,845	$ (12,445,544)
Cash and cash equivalents, beginning of period	5,645,201	5,176,127	8,316,826	8,316,826	18,992,153
Cash and cash equivalents, end of period	$ 5,176,127	$ 8,316,826	$ 18,992,153	$ 14,082,671	$ 6,546,609
Supplemental Disclosures, Including Non-Cash Transactions:					
Interest paid	$ 4,320,276	$ 6,536,349	$ 7,805,576	$ 2,561,472	$ 2,434,007
Income taxes paid, net	$ 590,132	$ 817,102	$ 1,600,000	$ —	359,000
Note receivable from sale of property	$ —	$ 1,195,121	$ —	$ —	$ —
Common stock issued for The Snyder Group Company acquisition	$ —	$ 10,960,306	$ 56,024	$ —	$ —
Common stock issued to a related party for debt retirement	$ —	$ 4,500,000	$ —	$ —	$ —
Debentures and promissory note issued for The Snyder Group Company acquisition	$ —	$ 10,960,301	$ —	$ —	$ —
Capital lease obligations incurred for equipment purchase	$ 211,513	$ —	$ —	$ —	$ —

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 26, 1999, December 31, 2000 and December 30, 2001, and Quarters Ended April 22, 2001 (unaudited) and April 21, 2002 (unaudited)

1. Significant Accounting Policies

Nature of the Business—Red Robin Gourmet Burgers, Inc. (RRGB), which was formed as a Delaware corporation in 2001, became the parent of Red Robin International Inc. (RRI), a Nevada corporation, through a series of corporate transactions in 2001. RRGB had no operations prior to merging with RRI. RRGB and its subsidiaries operate Red Robin restaurants from facilities that are owned or leased. Subsidiaries of RRGB also sell franchises and receive royalties from the operation of franchised Red Robin restaurants. At December 30, 2001, there were 77 company-owned restaurants in the United States and 105 franchise-operated restaurants located throughout the United States and Canada. RRGB and subsidiaries also own and lease to third parties certain land, buildings and equipment.

Consolidation—The consolidated financial statements include the accounts of RRGB and its wholly-owned subsidiaries (collectively, the Company). Material intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year—The Company's fiscal year ends on the last Sunday in December. The Company's fiscal years ended December 26, 1999, December 31, 2000 and December 30, 2001 covered 52, 53 and 52 weeks, respectively. For the purposes of the accompanying consolidated financial statements, the periods ended December 26, 1999, December 31, 2000 and December 30, 2001 are referred to as the fiscal years 1999, 2000 and 2001, respectively. In 2001 and 2002, our first quarters ended on April 22 and April 21, respectively. Our first quarters include 16 weeks, and our second, third and fourth quarters each include 12 weeks. These quarterly financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods. The results of operations for the 16 week period ended April 21, 2002 are not necessarily indicative of the operating results to be expected for the full year.

Cash Equivalents—For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Current Assets-Marketing Funds—Current assets restricted solely for use by the Company's two marketing fund programs have been segregated from the Company's assets. Certain franchisees and Company restaurants contribute between 0.3% and 0.5% of adjusted sales to each marketing fund to be used for future advertising in accordance with the terms of each program. A liability related to the restricted current assets is recorded when the funds are received.

Inventories—Inventories consist of food, beverages and supplies and are valued at the lower of cost (first-in, first-out method) or market.

Real Estate Held for Sale—Real estate held for sale is recorded at cost, not to exceed net realizable value. Determination of the lower of cost or net realizable value involves subjective judgment, because the actual market value of property can only be determined by negotiation between the parties in a sale transaction. The ultimate recoverability and valuation of these assets is dependent on future events, and the ability to successfully sell these properties is heavily influenced by economic conditions affected by the real estate industry. During 2001, real estate with a carrying value of $2,854,079 was sold resulting in a loss of $4,079.

Property and Equipment—Depreciation on property and equipment is computed on the straight-line method for financial reporting purposes and on the straight-line and accelerated methods for tax purposes, based on the shorter of the estimated useful lives or the terms of the underlying leases of the related assets.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company capitalizes interest incurred on funds used to construct property and equipment. Interest capitalized totaled $217,057 in 1999, $327,494 in 2000 and $173,759 in 2001.

Debt Issuance Costs—Direct costs incurred for the issuance of debt are capitalized by the Company and amortized using the interest method over the term of the debt.

Intangible Assets—Intangible assets include franchise rights, workforce, and goodwill which arose in connection with the purchase business combination described in Note 2. Workforce assets are amortized over three years, franchise rights are amortized over 20 years, and goodwill is amortized over 30 years. Accumulated amortization for goodwill totaled $485,479 and $1,279,176 at December 31, 2000 and December 30, 2001, respectively. The effects of the adoption of SFAS No. 142 on intangible assets are described in Note 16.

Valuation of Long-Lived Assets—In accordance with Statement of Financial Accounting Standards No. 121, *"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,"* management assesses for impairment both those assets for which management has committed to a plan of disposal and long-lived assets to be held and used in continuing operations whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is performed on a restaurant-by-restaurant basis. The Company will recognize an impairment loss when the sum of undiscounted expected future cash flows is less than the carrying amount of such assets. The measurement for such an impairment loss is then based on the fair value of the asset as determined by discounted cash flows or appraisals, if available.

Deferred Rent Payable—Deferred rent payable represents rental expense, recorded on a straight-line basis, in excess of actual rental payments.

Revenue Recognition—The Company typically grants franchise rights to private operators for a term of 20 years, with the right to extend the term for an additional ten years if certain conditions are satisfied. The Company provides management expertise, training, pre–opening assistance and restaurant operating assistance in exchange for area development fees, franchise fees, license fees and royalties of 3.0% to 4.0% of the franchised restaurant's adjusted sales. Franchise fee revenue from individual franchise sales is recognized when all material obligations of and initial services to be provided by the Company have been performed, generally upon the opening of the restaurant. Until earned, these fees are accounted for as deferred revenue. Area franchise fees are dependent upon the number of restaurants in the territory as are the Company's obligations under the area franchise agreement. Consequently, as the Company's obligations are met, area franchise fees are recognized proportionately with the opening of each new restaurant. Royalties are accrued as earned, and are calculated each period based on the reporting franchisee's adjusted sales.

Pre-opening Costs—The Company expenses pre-opening costs as incurred.

Income Taxes—The Company recognizes deferred tax liabilities and assets for the future consequences of events that have been recognized in the consolidated financial statements or tax returns of the Company. In the event the future consequences of differences between financial reporting bases and tax bases of the assets and liabilities of the Company result in a deferred tax asset, an evaluation is made of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized. Measurement of the deferred items is based on enacted tax laws.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Employee Stock Compensation Plans—The Company follows Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees"* in its accounting for stock based compensation to employees whereby any intrinsic value as determined on the measurement date results in compensation.

Earnings Per Share—Basic earnings per share is computed by dividing net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if holders of options exercised their options to purchase common stock. The dilutive effect of stock options is calculated using the treasury stock method.

The computations for basic and diluted earnings per share are as follows:

	Year Ended			Quarter Ended	
	December 26, 1999	December 31, 2000	December 30, 2001	April 22, 2001	April 21, 2002
				(unaudited)	(unaudited)
Net earnings	$ 4,379,671	$ 15,430,547	$ 7,724,006	$ 1,871,350	$ 2,475,532
Basic	2,971,407	7,443,893	10,085,468	10,076,416	10,090,419
Dilutive effect of stock options	—	—	150,449	93,180	559,319
Diluted weighted average shares outstanding	2,971,407	7,443,893	10,235,917	10,169,596	10,649,738
Earnings Per Share:					
Basic	$ 1.47	$ 2.07	$ 0.77	$ 0.19	$ 0.25
Diluted	$ 1.47	$ 2.07	$ 0.75	$ 0.18	$ 0.23

New Accounting Pronouncements—On January 1, 2001, the Company adopted SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities."* SFAS No. 133, as amended, requires derivative instruments to be recorded in the balance sheet at their fair value with changes in fair value being recognized in earnings unless specific hedge accounting criteria are met. The adoption of SFAS No. 133 in fiscal 2001 did not have a material impact on the Company's financial statements.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS 141, *"Business Combinations."* SFAS 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001, eliminates the pooling-of-interests method and modifies the criteria for recognition of intangible assets.

Beginning in fiscal 2002, the Company is subject to SFAS No. 142, *"Goodwill and Other Intangible Assets."* Under the provisions of SFAS No. 142, goodwill and certain intangibles are no longer subject to amortization over their estimated useful life. Instead, impairment is assessed on an annual basis (or more frequently if circumstances indicate a possible impairment) by means of a fair-value-based test. In 2001, the Company had approximately $1,700,000 in amortization related to goodwill and certain intangibles. Beginning with fiscal year 2002 these assets will no longer be amortized. The Company has not assessed the impact of the initial impairment analysis on the financial statements.

In August 2001, the FASB issued SFAS No. 144 *"Accounting for the Impairment or Disposal of Long-Lived Assets."* SFAS No. 144 provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of and also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. SFAS No. 144 is effective with the Company's fiscal year beginning in 2002 and did not have a material impact on the Company's financial statements.

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In April 2002, FASB issued SFAS 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 provides new guidance on the criteria used to classify debt extinguishments as extraordinary items and requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 is effective with the Company's fiscal year beginning in 2003. The effect to the Company of adopting this standard, if any, has not yet been determined.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Some of the more significant estimates included in the preparation of the financial statements pertain to allowances for doubtful accounts, asset impairments, closed restaurant reserves and workers compensation claims. Actual results could differ from those estimates.

Fair Value of Financial Instruments—The following disclosure of the estimated fair value of financial instruments has been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and cash equivalents, accounts receivables and accounts payable approximate fair values due to the short-term maturities of these instruments. The fair values of the Company's debt has been estimated using discounted cash flow analyses based on market rates obtained from independent third parties for similar type debt. The carrying amounts and related estimated fair values for the Company's debt is as follows:

	2000		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term loan	$ 49,633,418	$ 51,267,393	$ 47,303,212	$ 48,096,594
Collateralized notes and capital leases	28,779,083	29,250,346	32,783,880	37,072,602

Concentration of Risk—Financial instruments which potentially subject the Company to concentrations of credit risk are cash equivalents and accounts receivable. The Company attempts to limit its credit risk associated with cash equivalents by placing the Company's financial instruments with major financial institutions. The Company's trade accounts receivable are comprised principally of amounts due from its franchisees. With respect to accounts receivable, the Company limits its credit risk by performing ongoing credit evaluations and, when deemed necessary, requiring letters of credit, guarantees or collateral. Management does not believe significant risk exists in connection with the Company's concentrations of credit at December 30, 2001.

Reclassification—The Company has reclassified the notes receivable-stockholder/officer as of December 31, 2000 and December 30, 2001 from non-current assets to stockholders' equity to conform to the current period presentation.

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2. Franchise Acquisitions

On May 11, 2000, the Company acquired all of the outstanding stock of The Snyder Group Company (SGC), an entity controlled by Mike Snyder, an officer and stockholder of the Company, and partially owned by Mike Woods and Bob Merullo, officers of the Company, in exchange for approximately $9.2 million in debentures, approximately $1.8 million in promissory notes, and 1,889,708 shares of the Company's common stock, valued at $5.80 per share. The purchase price, which included deal costs of approximately $1.6 million, was subject to adjustment based upon SGC's net worth as of the date of closing, as defined. On May 10, 2001, the purchase price was adjusted by $112,048 through the issuance of 9,659 additional shares of the Company's common stock and payment of $56,024. SGC operated 14 restaurants in the states of Colorado and Washington under franchise agreements with the Company. The Company accounted for the transaction as a purchase business combination. The purchase price has been allocated to assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

Current assets	$	735,428
Property and equipment		10,564,947
Intangible assets and goodwill		32,221,211
Other assets		216,071
Liabilities assumed, including long term debt		(20,035,844)
Total	$	23,701,813

The debentures accrued interest at 10.0% until being repaid in September 2000 in connection with the receipt of proceeds from the $50.0 million loan discussed at Note 8. The promissory notes also accrued interest at 10.0% and were repaid when the Company received proceeds from the $50.0 million loan. In connection with the acquisition, 862,069 shares of the Company's common stock issued to SGC's stockholders have been placed in escrow to satisfy any adjustments to the purchase price and any claims of indemnity. Forty percent of the escrowed shares were released as of December 30, 2001. Fifty percent of the balance may be released two years after closing. The remaining balance may be released on the earlier of three years after closing or the closing of the Company's initial public offering (IPO) of common stock. The release of shares by the escrow agent will occur in the absence of any claims of indemnity.

The financial statements for the period after the Company's acquisition of SGC represent the combined operations of the Company and SGC.

The following unaudited pro forma data summarizes the results of operations as if the 2000 acquisition had been completed at the beginning of fiscal year 2000. The pro forma data give effect to actual operating results prior to the acquisition, adjusted to include the estimated pro forma effect of royalties, interest expense, amortization of intangibles and income taxes. These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred as of the beginning of the year presented or that may be obtained in the future.

	Year Ended December 31, 2000	
Total revenues	$	204,837,502
Net income		14,184,054
Earnings Per Share:		
Basic	$	1.91
Diluted	$	1.91

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RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Accounts Receivable

Accounts receivable consists of the following at December 31, 2000, December 30, 2001 and April 21, 2002:

	2000	2001	April 21, 2002
			(unaudited)
Trade receivable due from franchisees	$ 1,794,023	$ 2,498,572	$ 950,065
Receivable from landlords	3,024,675	1,530,817	662,597
Other	187,416	232,856	410,357
	5,006,114	4,262,245	2,023,019
Allowance for doubtful accounts	(1,607,583)	(1,565,048)	(263,511)
Accounts receivable, net	$ 3,398,531	$ 2,697,197	$ 1,759,508

Activity in the allowance for doubtful accounts is as follows:

	1999	2000	2001
Allowance for doubtful accounts, beginning of period	$ 230,595	$ 335,327	$ 1,607,583
Additions	219,404	1,335,776	724,782
Decreases	(114,672)	(63,520)	(767,317)
Allowance for doubtful accounts, end of period	$ 335,327	$ 1,607,583	$ 1,565,048

4. Restricted Current Assets – Marketing Funds

Marketing funds consist of the following at December 31, 2000, December 30, 2001 and April 21, 2002:

	2000	2001	April 21, 2002
			(unaudited)
Cash	$ 300,935	$ 161,516	$ 2,891
Prepaids	345,971	281,593	—
Inventory	—	6,036	6,538
Accounts receivable from franchisees	187,215	231,462	140,080
Restricted current assets-marketing funds	$ 834,121	$ 680,607	$ 149,509

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Property and Equipment

Property and equipment consists of the following at December 31, 2000, December 30, 2001 and April 21, 2002:

	Estimated Lives	2000	2001	April 21, 2002
				(unaudited)
Land		$ 6,880,518	$ 6,880,518	$ 6,880,518
Buildings	15 to 30 years	6,280,339	6,373,239	6,378,396
Furniture, fixtures and equipment	3 to 7 years	39,440,719	46,104,220	49,126,181
Leasehold improvements	Shorter of lease term or life	52,961,926	64,844,180	70,239,591
Restaurant property leased to others	3 to 30 years	8,784,584	8,784,584	8,792,552
Construction in progress		4,938,974	4,450,897	7,847,367
		119,287,060	137,437,638	149,264,605
Accumulated depreciation and amortization		(47,127,357)	(54,986,518)	(57,837,847)
Property and equipment, net		$ 72,159,703	$ 82,451,120	$ 91,426,758

Based upon management's assessment of long-lived assets, the Company determined that the carrying amounts of certain of its long-lived assets were not recoverable and impairment losses were recognized in 2001 and 2000. The restaurants identified in management's assessment had experienced losses from operations and cash flow losses.

The fair value of the assets to be held and used in continuing operations for which an impairment was recorded was estimated using the present value of estimated expected future cash flows in order to determine the amount of impairment loss.

Restaurant closure costs are mainly comprised of asset writedowns to net realizable value and reserves for closed restaurants (see Note 7). The restaurant closures and impairment costs recognized during the years ended December 26, 1999, December 31, 2000 and December 30, 2001 were $50,000, $1,302,186 and $36,359, respectively. In fiscal year 1999 there was a change in estimate of the fair value less disposal costs of certain assets to be disposed of resulting in a credit of $380,000.

The carrying value of restaurants to be disposed of are $128,076 and $0 at December 31, 2000 and December 30, 2001, respectively.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Other Assets

Other assets consist of the following at December 31, 2000, December 30, 2001 and April 21, 2002:

	2000	2001	April 21, 2002
			(unaudited)
Franchise rights	$ 5,800,000	$ 5,800,000	$ 8,600,000
Workforce	2,530,000	2,530,000	—
Loan fees	2,454,855	2,630,956	2,809,560
Note receivable	1,195,121	1,050,000	152,387
Deposits	322,129	252,009	289,493
Liquor licenses	771,723	919,925	1,066,251
Other	59,540	91,732	38,688
	13,133,368	13,274,622	12,956,379
Accumulated amortization	(832,521)	(2,215,525)	(1,104,569)
Other assets, net	$ 12,300,847	$ 11,059,097	$ 11,851,810

The note receivable resulted from the sale of certain property, and was to be paid over five years with monthly payments of $11,545 and a balloon payment due August 2005. Interest is fixed at 10.8%. The note receivable is collateralized by the property sold. In July 2001, the debtor ceased making payments due to financial difficulties and, in February 2002, the property was reacquired in settlement of the note. A loss of $140,851 was recorded in 2001 for the writedown of the note to the fair value of the property. The Company adopted SFAS 141 effective with the beginning of fiscal 2002 and such adoption resulted in the reclassification to goodwill of the carrying amount of workforce assets totaling approximately $1.2 million.

7. Closed Restaurant Reserve

The Company records a reserve when a decision is made to close a restaurant. The reserve principally consists of real estate brokerage costs for sales of owned property, lease termination fees and lease commitments post closing up to the date of sublease for leased properties. Activity in the closed restaurant reserves account is as follows:

	1999	2000	2001
Closed restaurant reserves, beginning of period	$ 1,290,983	$ 671,881	$ 354,471
Additions	50,409	169,949	36,359
Decreases	(669,511)	(487,359)	(175,656)
Closed restaurant reserves, end of period	$ 671,881	$ 354,471	$ 215,174

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

8. Long-Term Debt

Long-term debt consists of the following at December 31, 2000 and December 30, 2001:

	2000	2001
Term loan	$ 49,633,418	$ 47,303,212
Collateralized notes payable and capital leases	28,779,083	32,783,880
	78,412,501	80,087,092
Current portion	(4,387,221)	(5,077,515)
Long-term debt	$ 74,025,280	$ 75,009,577

On September 6, 2000, the Company entered into a term loan agreement to borrow $50.0 million from a lender (term loan). This loan is payable in equal monthly installments of $593,790 with the final payment due September 1, 2012 and bears interest at 9.9%. The term loan is collaterized by certain property and equipment and the pledge of the stock of RRI. The term loan contains financial and other covenants, including covenants that require the Company to maintain various financial ratios, and restricts the Company's ability to incur indebtedness or to create various liens. The term loan also requires the consent of the lender to engage in mergers or acquisitions, construction of new restaurants, sell assets, enter into certain capital leases or make junior payments, including cash dividends. Additionally, the loan agreement requires that upon the consummation of a qualifying IPO of its common stock, the Company must pay $10.0 million of the principal balance outstanding, all interest accrued on that principal plus a prepayment premium between 1.0% and 4.0% of the payment. As of December 30, 2001, the Company is in compliance with all covenants.

The collateralized notes payable are secured by certain property and equipment of the Company. Under some of these agreements, the Company is required to maintain certain financial ratios. As of December 30, 2001, the Company is in compliance with all covenants. The collateralized notes payable require monthly principal and interest payments through 2016, with a weighted average interest rate of 9.1% at December 30, 2001.

Maturities of long-term debt are as follows:

2002	$ 5,077,515
2003	5,060,889
2004	5,233,094
2005	7,331,474
2006	6,131,984
Thereafter	51,252,136
	$ 80,087,092

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Income Taxes

The (provision) benefit for income taxes consists of the following for the years ended December 26, 1999, December 31, 2000 and December 30, 2001 is as follows:

	1999	2000	2001
Current:			
Federal	$ (586,121)	$ (670,484)	$ (1,964,493)
State	(4,011)	(7,398)	(533,295)
Deferred:			
Federal	170,758	284,494	(1,104,231)
State	(260,478)	(183,937)	(120,238)
	(679,852)	(577,325)	(3,722,257)
Change in valuation allowance	2,275,841	13,134,520	—
	$ 1,595,989	$ 12,557,195	$ (3,722,257)

During the year ended December 26, 1999, the Company realized benefits from the use of approximately $624,140 of alternative minimum tax operating losses. During the year ended December 31, 2000, the Company realized benefits from the use of approximately $2,615,631 of regular federal tax operating losses.

The reconciliation of income tax (provision) benefit that would result from applying the federal statutory rate to income tax (provision) benefit as shown in the consolidated statements of operations is as follows for the years ended December 26, 1999, December 31, 2000 and December 30, 2001:

	1999	2000	2001
Tax provision at federal statutory rate	$ (946,452)	$ (976,940)	$ (3,891,729)
State income taxes	(244,675)	(271,796)	(806,826)
General business and other tax credits	546,925	804,036	990,556
Other	(35,650)	(132,625)	(14,258)
Change in valuation allowance	2,275,841	13,134,520	—
	$ 1,595,989	$ 12,557,195	$ (3,722,257)

The Company's federal and state deferred taxes consist of the following at December 31, 2000 and December 30, 2001:

	2000	2001
Alternative minimum tax credits	$ 1,113,583	$ 1,445,636
General business and other tax credits	5,306,064	4,708,664
Net operating losses-state	140,142	175,329
Property and equipment basis differences	4,945,324	3,281,582
Deferred rent	1,524,538	1,714,094
Reserves for doubtful accounts, salaries, vacations, insurance and other liabilities	1,147,179	1,411,222
Other, net	403,332	207,419
Workforce basis difference	(815,068)	(473,264)
Franchise rights basis difference	(2,221,078)	(2,151,135)
Net deferred tax asset	$ 11,544,016	$ 10,319,547

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the years ended December 30, 2000 and December 31, 1999, the deferred tax asset valuation allowance decreased by $13,134,520 and $2,275,841, respectively. These decreases are primarily the result of the Company's analysis of the improvement in the likelihood of realizing the future tax benefit of the then existing tax attributes. Realization of the net deferred tax asset is dependent upon profitable operations and future reversals of existing taxable temporary differences. Although realization is not assured, the Company believes it is more likely than not that the net recorded benefits will be realized through the reduction of future taxable income. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term if actual future taxable income is lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable temporary differences.

As of December 31, 2001, the Company has state net operating losses totaling approximately $2,685,000 available to reduce future taxes which expire through 2012. Additionally, the Company has federal alternative minimum tax credits of $1,445,636 available with no expiration date. The Company also has general business and other tax credits totaling $4,708,664 available to offset future taxes which expire through 2006.

10. Commitments and Contingencies

Leasing Activities—The Company leases land, buildings and equipment used in its operations under operating leases. The Company leases two restaurants from stockholders. Rent paid under the restaurant leases with the stockholders was $126,163, $154,952 and $207,415 during fiscal years 1999, 2000, and 2001, respectively. The Company leases two other restaurants from an entity in which a franchisee has an ownership interest. One of these restaurants was acquired as part of the acquisition of SGC. Rent paid under these leases was $417,227 after the date of the SGC acquisition during fiscal 2000 and $621,677 during fiscal 2001.

The operating leases have terms ranging from one year to twenty years and generally contain renewal options which permit the Company to renew the leases at prevailing market rates. Certain equipment leases also include options to purchase equipment at the end of the lease term.

Land and building lease agreements require contingent rentals based on a percentage of stated sales volumes. Certain lease agreements also require the Company to pay maintenance, insurance and property tax costs. Rental expense related to land, building and equipment leases including related parties is as follows:

	1999	2000	2001
Minimum rent	$ 4,757,404	$ 7,220,168	$ 9,593,137
Percentage rent	661,298	1,090,149	944,977
	$ 5,418,702	$ 8,310,317	$ 10,538,114

The Company leases certain of its owned land, buildings and equipment to outside parties under noncancelable operating leases. Cost of the leased land, buildings and equipment at December 31, 2000 and December 30, 2001 was $8,784,584 and related accumulated depreciation was $3,383,743 and $3,634,322, respectively.

The Company has an employment agreement with its President, Mike Snyder. This agreement specifies that if Mr. Snyder is terminated without cause, he is entitled to his base salary for one year, the bonus he would have received on the next bonus payment date, and participation in the Company's health and welfare benefit plans for himself and his family for one year.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Mr. Snyder's base salary as of December 30, 2001 was $330,750. In accordance with the provisions of the employment agreement, in the event his employment is terminated due to death or disability, his estate shall have the right to require the Company to purchase common stock held by the estate having a fair market value of up to $5.0 million. If this event would occur, the Company may use its $5.0 million supplemental key man life insurance to make such a purchase.

The Company also has an employment agreement with its Senior Vice President, Mike Woods. This agreement specifies that if Mr. Woods is terminated without cause, he is entitled to severance pay equal to his base salary for one year. Mr. Woods' base salary as of December 30, 2001 was $208,739.

Future minimum lease commitments and minimum rental income under all leases as of December 30, 2001 are as follows:

	Capital Leases	Operating Leases	Rental Income
2002	$ 1,905,104	$ 9,675,955	$ 172,500
2003	1,829,233	9,596,992	172,500
2004	1,869,287	9,056,611	172,500
2005	1,914,634	8,540,976	172,500
2006	1,961,257	7,758,591	172,500
Thereafter	18,482,773	62,686,251	980,200
Total	$ 27,962,288	$ 107,315,376	$ 1,842,700
Less amount representing interest at 6.0%–13.4%	(14,710,680)		
Present value of future minimum payments	13,251,608		
Less current portion	442,578		
Long-term capital lease obligation	$ 12,809,030		

As of December 31, 2000 and December 30, 2001, property and equipment included $10,894,769 of assets under capital lease and $1,292,597 and $1,944,502 of related accumulated depreciation, respectively.

Contingencies—In the normal course of business, the Company has various claims in process, matters in litigation and other contingencies. While it is not possible to predict the outcome of these suits, other legal proceedings and claims with certainty, management is of the opinion that adequate provision for potential losses has been made in the consolidated financial statements and that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operation or cash flows.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Franchise Operations

	1999	2000	2001
Franchise Royalties and Fees:			
Royalty income	$ 7,902,810	$ 7,934,226	$ 8,520,990
Franchise fees	346,000	313,213	481,100
Total franchise royalties and fees	8,248,810	8,247,439	9,002,090
Franchise Development Costs:			
Payroll and employee benefit costs	727,653	1,313,785	1,344,745
General and administrative	1,780,773	2,072,384	2,358,740
Total franchise development costs	2,508,426	3,386,169	3,703,485
Operating income from franchise operations	$ 5,740,384	$ 4,861,270	$ 5,298,605

12. Related Parties

The Snyder Group Company, controlled by an officer and stockholder of the Company, which operated 14 of the Company's franchised restaurants was acquired by the Company in May 2000. Royalty income from these restaurants for the period in fiscal 2000, prior to the date of the SGC acquisition, and for fiscal 1999 totaled $620,450 and $1,561,475, respectively.

Mike Snyder and Bob Merullo, each an officer and a stockholder, have an ownership interest in one of the Company's franchisees, Mach Robin, LLC. Mike Snyder owns 31.0% and Bob Merullo owns 7.0%. The Company recognized franchise and royalty fees from Mach Robin in the amounts of $204,969 in 1999, $415,649 in 2000, $803,198 in 2001, $162,461 in the first quarter of 2001, and $283,704 in the first quarter of 2002. Mach Robin has a 40.0% ownership interest and a right to share in up to 60.0% of the profits of one of the Company's other franchisees, Red Robin Restaurants of Canada, Ltd. The Company recognized franchise and royalty fees from Red Robin Restaurants of Canada in the amounts of $913,718 in 1999, $940,670 in 2000, $849,801 in 2001, $275,646 in the first quarter of 2001, and $228,868 in the first quarter of 2002.

In addition, there are also notes receivable from Mike Snyder. As of December 30, 2000 and December 31, 2001, the note balance was $300,000 and $600,000 respectively. The notes receivable—officer/stockholder are collateralized by shares of the Company's common stock and mature in May 2005. Interest accrues at the greater of 6.6% or prime rate plus 2.0%. Interest is waived if certain financial benchmarks are met.

The Company's indoor plant maintenance supplier, Tropical Interiors, is operated by one of Mike Snyder's brothers, Brad Snyder. The Company paid Tropical Interiors $44,596 in 1999, $152,279 in 2000, $132,711 in 2001, $27,899 in the first quarter of 2001, and $36,629 in the first quarter of 2002.

13. Stockholders' Equity

On May 11, 2000, the Company sold 4,310,344 newly issued shares of common stock to Quad-C for $5.80 per share. Concurrently with this transaction, the Company entered into a consulting services agreement with Quad-C pursuant to which the Company retained Quad-C to render consulting and advertising services. Fees paid to Quad-C under this agreement were $140,887 in 2000 and $184,615 in 2001. Additionally, as a condition of the stock sale agreement, the Company converted $4.5 million in debt owed to Hibari Guam Corporation, an affiliate of the Company, into 775,862 shares of the Company's common stock.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In connection with the above transactions, the Company's stockholders entered into a Shareholders' Agreement dated May 11, 2000 whereby, among other matters, each stockholder has agreed to grant a right of first refusal to the Company and to the other stockholders in the event of receipt of an offer to acquire his shares. Additionally, in the event that as of April 30, 2005 the Company has not yet completed an IPO of its stock with gross proceeds of at least $30.0 million and dilution of at least 20.0% to the then outstanding stockholders, each stockholder has the right to compel the Company and the other stockholders to sell shares of the Company's stock held by them or to consummate an IPO.

Stock Compensation Plans—The Company has three stock based compensation plans: the 1990 Incentive Stock Option and Nonqualified Stock Option Plan (the 1990 Stock Plan), the 1996 Stock Option Plan (the 1996 Stock Plan), and the 2000 Management Performance Common Stock Option Plan (the 2000 Plan). The 1990 Stock Plan was amended in 1996 to limit the number of shares to be granted to 241,379 shares of common stock. Stock option awards under the 1990 Stock Plan are granted at fair market value as estimated by the Board of Directors. In September 1996, the Company authorized 327,586 shares of common stock for issuance under its 1996 Stock Plan to key personnel. Pursuant to the original terms of the 1990 and 1996 Stock Plans, all options outstanding became 100.0% vested upon the change in control.

The Company established the 2000 Plan on May 11, 2000. Under the 2000 Plan, options are granted to purchase common stock at the estimated fair market value at the date of grant. Vesting under the plan varies based on the attainment of certain financial results. If not sooner terminated by the Board of Directors, the 2000 Plan shall terminate at the close of business on April 15, 2010. Effective with the approval of the 2000 Stock Plan, the Board of Directors limited the total cumulative available options under all plans at 1,534,483 shares of common stock.

The 2000 Plan reserves 1,131,724 shares of the Company's common stock for option awards to employees. Options to acquire a total of 1,030,027 shares of the Company's common stock have been granted through December 30, 2001 under the 2000 Plan. Of the total, 6,207 were vested at December 30, 2001, 103,190 will vest in 2002, 164,328 will vest in 2003, and 756,482 will vest in 2004. Certain financial performance targets, as defined, may accelerate vesting.

A summary of the status of the Company's three stock based compensation plans as of December 26, 1999, December 31, 2000 and December 30, 2001 and changes during the years then ended is presented below:

	1999		2000		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	533,828	$ 5.80	539,689	$ 5.80	1,413,138	$ 5.80
Granted	118,448	5.80	959,914	5.80	136,361	6.53
Canceled	(103,966)	5.80	(79,741)	5.80	(132,223)	5.80
Exercised	(8,621)	5.80	(6,724)	5.80	(4,310)	5.80
Outstanding at end of year	539,689	$ 5.80	1,413,138	$ 5.80	1,412,966	$ 5.86

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation. As allowed by SFAS No. 123, the Company did not change to the fair value method of accounting and has continued to use Accounting Principles Board Opinion No. 25 for measurement and recognition of employee stock-based transactions.

In January 2002, options were granted at an exercise price below the fair value of the Company's common stock resulting in deferred compensation totaling $288,700. Stock-based compensation charged to operations for the quarter ended April 21, 2002 is $19,892 (unaudited).

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Had compensation cost for the Company's three stock-based compensation plans been determined based on the fair value on the dates of awards under those plans consistent with the method of calculation prescribed by SFAS No. 123, the Company's net income would have decreased to the pro forma amounts indicated below:

		1999	2000	2001
Net Income:	As reported	$ 4,379,671	$ 15,430,547	$ 7,724,006
	Proforma	4,192,923	12,963,474	7,379,407
Basic Earnings Per Share:	As reported	$ 1.47	$ 2.07	$ 0.77
	Proforma	$ 1.41	$ 1.74	$ 0.73
Diluted Earnings Per Share:	As reported	$ 1.47	$ 2.07	$ 0.75
	Proforma	$ 1.41	$ 1.74	$ 0.72

The fair value of options granted under the Company's stock-based compensation plans was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used: minimum value, no dividend yield, and expected lives of 10 years. The risk free interest rates used were 5.6%, 6.0%, and 5.0% for the fiscal year ended 1999, 2000 and 2001.

At December 30, 2001, there were 6,207 exercisable options to purchase shares of common stock under the 2000 Plan: 517 at a price of $5.80 per share and 5,690 at a price of $6.53 per share. Options to purchase 262,759 shares of common stock at a price of $5.80 per share were exercisable under the 1996 Stock Plan, and options to purchase 174,483 shares of common stock at a price of $5.80 per share were exercisable under the 1990 Stock Plan. There were 303,522 and 471,069 options to purchase shares of common stock at a price of $5.80 per share exercisable at the end of fiscal years ended 1999 and 2000. The weighted average remaining life for those stock options outstanding at December 30, 2001 was 7.5 years. The average fair value of stock options granted was $1.59, $2.58, and $2.52 per share for the fiscal year ended 1999, 2000, and 2001.

14. Employee Benefit Plan

In 1990, the Company adopted the Red Robin International 401(k) Savings Plan (the Plan) which covers substantially all of its eligible employees. The Plan, which qualifies under Section 401(k) of the Internal Revenue Code, allows employees to defer specified percentages of their compensation (as defined) in a tax-exempt trust. The Company may make matching contributions in an amount determined by the Board of Directors. In addition, the Company may contribute each year, at its discretion, an additional amount from profits. There were no Company contributions for the years ended 1999, 2000, and 2001.

15. Subsequent Events

On January 14, 2002, the Company acquired all of the outstanding stock of Western Franchise Development, Inc. (WFD) for $6.3 million in cash. The purchase is subject to adjustment based upon WFD's net worth at the date of closing, as defined. WFD operated six restaurants in Northern California under franchise agreements with the Company. The Company accounted for this transaction as a purchase business combination. The purchase price has been allocated to assets acquired and liabilities assumed based on their fair values at the date of acquisition. This acquisition was not material to the Company's financial statements.

On January 28, 2002, RRI acquired the assets of two restaurants in Missouri and Ohio from a franchisee for $2.8 million in cash. On February 19, 2002, RRI consummated the purchase of the assets of a third restaurant in Ohio from this same franchisee for approximately $1.0 million in cash. This acquisition was not material to the Company's financial statements.

RED ROBIN GOURMET BURGERS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On April 25, 2002, officers of the Company early exercised options to acquire 775,862 shares and exercised fully vested options to acquire 146,552 shares of the Company's common stock. These shares were issued in exchange for full recourse notes totaling $5.4 million, bearing interest at 4.65% with maturity dates ranging from June 26, 2006 to January 29, 2012 or earlier if employment terminates. Shares issued upon the early exercise of options are subject to a right of repurchase at the lower of fair value or issuance price until vested pursuant to the original terms. The notes will be shown in a contra-equity account (see presentation of existing note receivable from officer in the equity section of the balance sheet).

On April 25, 2002, RRI entered into a credit agreement with a bank for a revolving credit facility of up to $10.0 million. Amounts up to the maximum may be borrowed and repaid through March 31, 2003, when all outstanding principal will be due, and are collateralized by property at 14 of the Company's restaurants and a fee interest in three properties to be developed in 2002. Loans outstanding under the agreement bear interest at the London Interbank Offered Rate, or LIBOR, plus 3.0%, payable monthly, in arrears. Within 30 days following the consummation of a qualifying IPO, the Company is required to reduce the outstanding balance on this loan to zero for a period of 60 days. Following the end of this 60-day period, the Company is able to reborrow and repay amounts up to the maximum through March 31, 2003. The agreement also requires maximum cash flow leverage ratio, minimum fixed charge coverage ratio, minimum tangible net worth and minimum liquidity requirements be met. This agreement also restricts the Company's ability to incur indebtedness or to create various liens, engage in mergers or acquisitions, sell assets, and enter into non-subordinated debt.

On June 4, 2002, the Company's shareholders approved a 1 for 2.9 reverse stock split. All share and per share amounts herein have been adjusted to reflect this reverse stock split as of the beginning of the first period presented.

16. Adoption of New Accounting Pronouncement

The Company adopted SFAS No. 142 at the beginning of fiscal year 2002. The following footnote has been prepared in accordance with the disclosure provisions of SFAS No. 142. On January 14, 2002, the Company acquired Western Franchise Development (see Note 15). The Company recorded franchise rights of $2,800,000 related to this acquisition and is amortizing these rights over 20 years. As of April 21, 2002, the Company had amortization of $32,308 related to these rights. The Company also assigned $2,416,931 of the purchase price to goodwill.

	April 21, 2002	
	Gross Carrying Amount	Accumulated Amortization
	(unaudited)	(unaudited)
Amortized intangible assets		
Franchise rights	$ 8,600,000	$ (530,514)
Liquor licenses	850,904	(283,417)
Total	$ 9,450,904	$ (813,931)

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Aggregate Amortization Expense:	
For the quarter ended 4/21/02 (unaudited)	176,066
Estimated Amortization Expense:	
For year ended 12/29/02	$584,327
For year ended 12/28/03	576,053
For year ended 12/26/04	551,164
For year ended 12/25/05	532,490
For year ended 12/31/06	486,758

The changes in the carrying amount for goodwill for the quarter ended April 21, 2002 are as follows:

	Total
Balance as of December 31, 2001	$ 22,554,777
Goodwill acquired during year (unaudited)	2,416,931
Reclassification from other intangibles (unaudited)	694,424
Balance as of April 21, 2002 (unaudited)	$ 25,666,132

The adoption of SFAS No. 142 resulted in the reclassification to goodwill of the carrying amount of workforce assets totaling approximately $1.2 million.

	For the Year Ended			Quarter Ended	Quarter Ended
	December 26, 1999	December 31, 2000	December 30, 2001	April 22, 2001 (unaudited)	April 21, 2002 (unaudited)
Reported net income	$ 4,379,671	$ 15,430,547	$ 7,724,006	$ 1,871,350	$ 2,475,532
Add back: goodwill amortization	0	485,479	535,745	165,699	0
Add back: workforce amortization	0	518,976	569,252	175,154	0
Adjusted net income	$ 4,379,671	$ 16,435,002	$ 8,829,003	$ 2,212,203	$ 2,475,532
Basic earnings per share:					
Reported net income	$ 1.47	$ 2.07	$ 0.77	$ 0.19	$ 0.25
Goodwill amortization	—	0.07	0.05	0.02	—
Workforce amortization	—	0.07	0.06	0.02	—
Adjusted net income	$ 1.47	$ 2.20	$ 0.88	$ 0.22	$ 0.25
Diluted earnings per share:					
Reported net income	$ 1.47	$ 2.07	$ 0.75	$ 0.18	$ 0.23
Goodwill amortization	—	0.07	0.05	0.02	—
Workforce amortization	—	0.07	0.06	0.02	—
Adjusted net income	$ 1.47	$ 2.20	$ 0.86	$ 0.21	$ 0.23

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Arthur Andersen

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of The Snyder Group Company:

We have audited the accompanying statement of operations, stockholders' deficit and cash flows of The Snyder Group Company for the year ended December 26, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of The Snyder Group Company for the year ended December 26, 1999 in conformity with accounting principles generally accepted in the United States.

/S/ ARTHUR ANDERSEN LLP

Denver, Colorado,
June 7, 2000.

THE SNYDER GROUP COMPANY

STATEMENT OF OPERATIONS

For the year ended December 26, 1999

Revenue	$ 41,675,004
Costs and expenses:	
Store-	
Salaries and benefits	12,876,697
Cost of products sold	10,482,092
Other controllable costs	5,748,659
Rent, occupancy and related costs	4,782,055
Advertising and promotion	827,580
Depreciation and amortization	1,316,618
Total store costs and expenses	36,033,701
Non-Store-	
General And administrative	4,904,661
Reorganization costs	130,072
Depreciation and amortization	113,307
Total non-store costs and expenses	5,148,040
Total costs and expenses	41,181,741
Income from Operations	493,263
Other Income (Expense):	
Other income (expense)	263,529
Loss on sale of assets	(444,510)
Interest income from related party	94,878
Interest expense	(1,879,110)
Total other expense, net	(1,965,213)
Loss Before Income Taxes and Change in Accounting Principle	(1,471,950)
Income Tax Expense	129,555
Net Loss Before Change in Accounting Principle	(1,601,505)
Change in Accounting Principle	(223,753)
Net Loss	$ (1,825,258)

The accompanying notes to financial statements are an integral part of this statement.

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THE SNYDER GROUP COMPANY

STATEMENT OF STOCKHOLDERS' DEFICIT

For the year ended December 26, 1999

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
Balances, December 27, 1998	106,487	1,065	138,075	(637,629)	(498,489)
Repurchase of common stock	(4,782)	(48)	(151,952)	—	(152,000)
Capital contribution	—	—	42,400	—	42,400
Net loss	—	—	—	(1,825,258)	(1,825,258)
Balances, December 26, 1999	101,705	$1,017	$ 28,523	$ (2,462,887)	$(2,433,347)

The accompanying notes to financial statements are
an integral part of this statement.

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THE SNYDER GROUP COMPANY

STATEMENT OF CASH FLOWS

For the year ended December 26, 1999

Cash Flows from Operating Activities:		
Net loss	$	(1,825,258)
Adjustments to reconcile net loss to net cash provided by operating activities-		
Depreciation and amortization		1,789,160
Loss on sale of assets		445,899
Changes in assets and liabilities-		
Increase in current assets		(832,220)
Increase in accounts payable and accrued expenses		2,164,132
Increase in deposits and other non-current assets		(51,265)
Net cash provided by operating activities		1,690,448
Cash Flows from Investing Activities:		
Purchases of property and equipment		(1,904,017)
Proceeds from sale of assets		1,350,000
Net cash used in investing activities		(554,017)
Cash Flows from Financing Activities:		
Repayment of notes payable		(2,185,755)
Draws on debt		1,833,036
Repayments of capital lease obligations		(463,207)
Capital contribution		42,400
Repurchase of common stock		(152,000)
Net cash used in financing activities		(925,527)
Increase in Cash		210,904
Cash, beginning of period		136,103
Cash, end of period	$	347,007
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$	1,850,848

The accompanying notes to financial statements
are an integral part of this statement.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS

As of December 26, 1999

1. Organization and Basis of Presentation:

The Snyder Group Company (the “Company”) was incorporated in Delaware on March 23, 1990 to engage in the ownership, development and operation of “Red Robin Burger and Spirits Emporiums” (“Red Robin”) restaurants. As of December 27, 1998 and December 26, 1999, the Company had thirteen and fourteen operating restaurants, respectively (three in Washington and the remainder in Colorado).

On May 11, 2000, Red Robin International, Inc. acquired all of the outstanding stock of the Company in exchange for approximately $9.16 million in debentures, approximately $1.8 million in promissory notes, and 5,480,152 shares of Red Robin International’s common stock, valued at $2 per share. The purchase price is subject to adjustment based upon the Company’s net worth as of the date of closing, as defined. The debentures accrue interest at 10% through their maturity on May 11, 2030. A sinking fund contribution equal to the outstanding principal must be made in full the earlier of November 11, 2001 or when Red Robin International receives proceeds from a $50 million loan. The debentures may be redeemed in whole but not in part at the option of Red Robin International after December 31, 2005 at a redemption premium, as defined. The promissory notes accrue interest at 10% and are due at the earlier of November 11, 2001 or when Red Robin International receives proceeds from the $50 million loan. Two million five hundred thousand of Red Robin International’s shares issued to the Company’s shareholders have been placed in escrow to satisfy any adjustments to the purchase price and any claims of indemnity. Forty percent of the escrowed shares may be released on the earlier of eighteen months after the date of closing or 60 days after the issuance of Red Robin International’s fiscal 2000 audited financial statements. Fifty percent of the balance may be released two years after closing. The remaining balance may be released on the earlier of three years after closing or the closing of an initial public offering (“IPO”) by Red Robin International.

2. Summary of Significant Accounting Policies:

Fiscal Year

For accounting and reporting purposes, the Company has adopted a fiscal year ending on the last Sunday in December (first Sunday in January), which results in a 52- or 53-week year.

Estimates

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

Cash and Cash Equivalent

For the purpose of cash flows the Company considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist primarily of food, beverages and paper supplies.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The provision for depreciation and amortization has been calculated using the straight-line method. These assets are depreciated over the following useful lives:

Buildings and leasehold improvements	5-20 years
Furniture and equipment	5-10 years
Smallwares	2 years

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and are included in other assets in the Company's balance sheet. The provision for amortization has been calculated using the straight-line method. These assets are amortized using the following useful lives:

License agreements	15-20 years
Goodwill	18 years

Amortization expense was $22,566 for the year ended December 26, 1999.

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("SOP 98-5"). SOP 98-5 requires the Company to prospectively expense pre-opening and other start-up costs as incurred effective for fiscal years beginning after December 15, 1998. Restatement of prior periods is not required. Rather, SOP 98-5 must be applied as of the beginning of the fiscal year in which it is first adopted, which is fiscal year 1999 for the Company. Initial application is reported as a cumulative effect of a change in accounting principle. The cumulative effect of the change is approximately $224,000, net of applicable income taxes.

Revenue Recognition

The Company recognizes revenue, gross, upon point of sale of its products to customers. Discounts, employee meals and other promotional allowances are recognized as other controllable costs, and were approximately $708,000 and $781,000 for the years ended December 27, 1998 and December 26, 1999, respectively.

Reorganization Costs

Reorganization costs include direct third-party costs incurred in connection with the evaluation and execution of certain activities performed in anticipation of the sale of the Company (see Note 1). Such costs are expensed as incurred.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

3. Supplemental Financial Statement Data:

During 1999, the Company entered into a sale/leaseback transaction with the construction lender for the Park Meadow's Red Robin located in Littleton, Colorado. The Company sold the leasehold improvements for an amount equal to the construction loan and executed an operating lease for the improvements of approximately 18.5 years. The Company has recorded a loss of approximately $446,000 for capitalized costs in excess of the construction loan.

4. License Costs:

The Company has entered into License Agreements with Red Robin International, Inc. ("Red Robin International") for its fourteen currently operating stores, including the lease agreement with Snyder Investments, Inc. ("Snyder I") discussed in Note 8. The License Agreements are for periods of fifteen to twenty years, and are renewable by the Company for additional periods of five to twenty years upon refurbishing each existing store, or a substitute location, in compliance with Red Robin International's store specifications then in effect.

The License Agreements currently provide for a one time license fee of $35,000 per restaurant. Red Robin International is also entitled to a continuing royalty and service fee of 4.5% of gross sales, which includes an advertising fund contribution of .5% of gross sales. Gross sales are defined as gross sales less discounts, allowances, customer credits and sales tax collected. In addition, the Company is required to spend 2% of gross sales of each restaurant for advertising. Two officers of the Company personally guarantee payment and performance under currently existing License Agreements with Red Robin International.

5. Capital Stock:

During 1998, the Company formally executed a stock repurchase agreement. Pursuant to the repurchase agreement, during the period January 1, 1997 through December 31, 2002, at its discretion, the Company will make graduated payments to a stockholder. At the end of the six-year period, the stockholder's ownership will be equal to 10% of the outstanding common stock of the Company adjusted for any subsequent issuances. All redemption shares, not previously redeemed, were redeemed immediately prior to the Company being acquired for the consideration set forth in the repurchase agreements.

6. Notes Payable:

The Company had notes payable to various financial intermediaries and individuals with effective interest rates ranging from 7.9% to 25%, due in monthly payments ranging from $793 to $19,520, including interest, maturing from January 2000 through June 2011. One such note payable also requires monthly terminating payments of $2,917, which began in December 1996 and will continue until November 2006. The discounted value of the terminating payments is included in notes payable. Certain of the notes payable are secured by restaurant property and equipment.

Certain of the notes payable discussed above include financial covenants and have been guaranteed by certain officers of the Company. The Company was not in compliance with such financial covenants with respect to one such note as of December 26, 1999. Under the default provisions of the note, the Company could be forced to repay all indebtedness immediately. As of December 26, 1999, approximately $741,000 was outstanding.

7. Advances to Stockholder:

At December 26, 1999, the Company had advanced amounts totaling approximately $1,921,000 to a stockholder. These advances bear interest at the applicable federal rate. Interest only payments are required through December 31, 1999. Beginning January 1, 2000 the advance is to be repaid over 120 months.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

8. Commitments and Contingencies:

Operating Lease Commitments

The Company leases equipment and restaurant space under various operating leases, which expire through the year 2020. With respect to the Company's restaurant sites, the leases generally contain renewal options and provide that the Company will pay for insurance, taxes and maintenance. Certain restaurant leases also provide for the payment of additional amounts if sales exceed specified levels.

Capital Lease Obligations

As of December 26, 1999, the Company had capital lease obligations for property and equipment associated with five of its restaurants and the corporate office. The leases have remaining terms between 4 months and 16 years, require interest payments at rates varying from 7.4% to 13.9% and are secured by the related property and equipment.

The future minimum lease payments under noncancelable operating and capital leases as of December 26, 1999 are as follows:

	Operating Lease	Capital Lease
Fiscal Year-		
2000	$ 2,085,907	$ 1,221,318
2001	2,041,278	1,055,482
2002	1,945,219	969,841
2003	1,925,677	895,910
2004	1,865,433	921,944
Thereafter	14,366,439	11,607,294
Total future minimum leases	$ 24,229,953	$ 16,671,789
Less—amount representing interest		$ 10,261,914
Present value of net future minimum lease payments		6,409,875
Less—amounts due within one year		322,262
		$ 6,087,613

Certain of the capital leases above include financial covenants and provide for periodic rent increases and renewal options and have been guaranteed by certain officers of the Company.

Rent expense under operating leases totaled approximately $2,217,000 for the year ended December 26, 1999.

Restaurant Lease Agreement with Snyder I

Effective March 25, 1990, the Company entered into an agreement with Snyder I, the owner and operator of a Red Robin restaurant in Yakima, Washington, and a related party of the Company. Pursuant to the terms of the agreement, the Company is leasing the operations of Snyder I over the remaining franchise term, including a 10-year extension as provided for in Snyder I's franchise agreement with Red Robin International, through December 2004. The Company pays a monthly lease payment to Snyder I based on 3% of gross sales, as defined, which totaled $71,010 and $76,000 for the year-ended December 26, 1999 and December 27, 1998, respectively.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

This payment is offset against debt service payments made by the Company on behalf of Snyder I. The excess of such debt service payments over the cumulative lease payments due is reflected as a receivable from affiliate.

9. Income Taxes:

The Company accounts for income taxes using the asset and liability approach in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The difference between the income tax benefit and that computed using the statutory federal income tax rate is due primarily to state income taxes, certain nondeductible operating expenses and an increase in the valuation allowance on deferred tax assets. The Company did not have any current tax benefit for the year ended December 26, 1999, due to uncertainty as to the realization of remaining available net operating losses and other tax credits. During 1999, the Company paid $129,555 in federal income taxes related to the settlement of prior year obligations. Such payments were expensed during 1999.

10. Related Parties:

The Company's liability and property insurance was purchased from a company that employs a director and shareholder as a broker and officer. Total liability and property insurance premiums paid for the year ended December 26, 1999 were $158,000.

The Company leases an aircraft from a company that is owned by an officer and shareholder. Lease payments for the year ended December 26, 1999 were $130,000.

A director and shareholder of the Company is employed as a consultant pursuant to the Consulting and Stock Redemption Agreement formally executed during 1998. Total payments for the year ended December 26, 1999 were $48,000.

A relative of an officer and shareholder owns a company that performs plant maintenance at the Company's headquarters and several Colorado restaurants. Total payments for the year ended December 26, 1999 were $50,000.

11. Event Subsequent to Auditor's Report (Unaudited):

On June 4, 2002, the Board of Directors and stockholders of Red Robin Gourmet Burger's, Inc. ("RRGB" and formerly Red Robin International, Inc.) authorized a 1 for 2.9 reverse stock split to be effected immediately prior to RRGB's contemplated initial public offering. As a result, the number of shares of RRGB's common stock issued in the transaction discussed in Note 1 will be converted from 5,480,152 to 1,889,708 and the number of shares of RRGB's common stock that have been placed in escrow will be converted from 2,500,000 to 862,069.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Red Robin International:

We have audited the accompanying balance sheet of THE SNYDER GROUP COMPANY as of May 10, 2000, and the related statement of operations, stockholders' deficit and cash flow for the period December 27, 1999 through May 10, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Snyder Group Company as of May 10, 2000, and the results of its operations and its cash flows for the period December 27, 1999 through May 10, 2000 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Denver, Colorado,
August 18, 2000.

THE SNYDER GROUP COMPANY

BALANCE SHEET

As of May 10, 2000

		2000
Assets		
Current Assets:		
Cash	$	112,066
Accounts receivable		246,646
Inventory		255,506
Prepaid expenses and other current assets		71,161
Income tax receivable		132,102
Total current assets		817,481
Property and Equipment, net		10,904,798
Receivable From Affiliate		5,074
Advances to Stockholders		1,920,605
Deposits		128,678
Other Assets, net		463,075
Total assets	$	14,239,711
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	$	2,203,472
Accrued expenses		5,017,312
Current portion of notes payable		1,454,678
Current portion of capital lease obligations		248,622
Total current liabilities		8,924,084
Notes Payable, net of current portion		2,602,681
Capital Lease Obligations, net of current portion		6,048,517
Total liabilities		17,575,282
Commitments And Contingencies (Note 8)		
Stockholders' Deficit:		
Preferred stock, no par value; 100,000 shares authorized, none issued and outstanding		—
Common stock, $.01 par value; 200,000 shares authorized, 84,214 shares issued and outstanding		842
Additional paid-in capital		(527,302)
Retained (deficit)		(2,809,111)
Total stockholders' deficit		(3,335,571)
Total liabilities and stockholders' deficit	$	14,239,711

The accompanying notes to financial statements are an integral part of this balance sheet.

THE SNYDER GROUP COMPANY

STATEMENT OF OPERATIONS

For the Period December 27, 1999 Through May 10, 2000

Revenue	$	16,296,336
Costs and Expenses:		
Store-		
Salaries and benefits		4,898,376
Cost of products sold		4,131,860
Other controllable costs		2,185,047
Rent, occupancy and related costs		1,833,921
Advertising and promotion		336,693
Depreciation and amortization		496,809
Total store costs and expenses		13,882,706
Non-store-		
General and administrative		1,531,807
Reorganization costs		420,485
Depreciation and amortization		51,204
Total non-store costs and expenses		2,003,496
Total costs and expenses		15,886,202
Income From Operations		410,134
Other Income (Expense):		
Other expense, net		(149,076)
Interest income from related party		31,025
Interest expense		(748,907)
Total other expense, net		(866,958)
Loss Before Income Taxes		(456,824)
Income Tax Benefit		110,600
Net Loss	$	(346,224)

The accompanying notes to financial statements are
an integral part of this statement.

THE SNYDER GROUP COMPANY

STATEMENT OF STOCKHOLDERS' DEFICIT

For the period December 27, 1999 Through May 10, 2000

	Common Stock				
	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
Balances, December 26, 1999	101,705	$1,017	$ 28,523	$ (2,462,887)	$(2,433,347)
Repurchase of common stock	(17,491)	(175)	(555,825)	—	(556,000)
Net loss	—	—	—	(346,224)	(346,224)
Balances, May 10, 2000	84,214	$ 842	$ (527,302)	$ (2,809,111)	$(3,335,571)

The accompanying notes to financial statements are
an integral part of this statement.

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THE SNYDER GROUP COMPANY

STATEMENT OF CASH FLOWS

For the period December 27, 1999 Through May 10, 2000

Cash Flows from Operating Activities:	
Net loss	$ (346,224)
Adjustments to reconcile net loss to net cash provided by operating activities-	
Depreciation and amortization	548,014
Gain on disposition of assets	(1,249)
Changes in assets and liabilities-	
Decrease in current assets	533,649
Increase in accounts payable and accrued expenses	131,478
Increase in deposits and other non-current assets	(198,045)
Net cash provided by operating activities	667,623
Cash Flows From Investing Activities:	
Purchases of property and equipment	(66,762)
Net cash used in investing activities	(66,762)
Cash Flows from Financing Activities:	
Repayment of notes payable	(167,066)
Repayments of capital lease obligations	(112,736)
Repurchase of common stock	(556,000)
Net cash used in financing activities	(835,802)
Decrease in Cash	(234,941)
Cash, beginning of period	347,007
Cash, end of period	$ 112,066
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	$ 672,855

The accompanying notes to financial statements are an integral part of this statement.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS

As of May 10, 2000

1. Organization and Basis of Presentation:

The Snyder Group Company (the “Company”) was incorporated in Delaware on March 23, 1990 to engage in the ownership, development and operation of “Red Robin Burger and Spirits Emporiums” (“Red Robin”) restaurants. As of May 10, 2000, the Company had fourteen operating restaurants, respectively (three in Washington and the remainder in Colorado).

On May 11, 2000, Red Robin International, Inc. (“Red Robin International”) acquired all of the outstanding stock of the Company in exchange for approximately $9.16 million in debentures, approximately $1.8 million in promissory notes, and 5,480,152 shares of Red Robin International’s common stock, valued at $2 per share. The purchase price is subject to adjustment based upon the Company’s net worth as of the date of closing, as defined. The debentures accrue interest at 10% through their maturity on May 11, 2030. A sinking fund contribution equal to the outstanding principal must be made in full the earlier of November 11, 2001 or when Red Robin International receives proceeds from a $50 million loan. The debentures may be redeemed in whole but not in part at the option of Red Robin International after December 31, 2005 at a redemption premium, as defined. The promissory notes accrue interest at 10% and are due at the earlier of November 11, 200l or when Red Robin International receives proceeds from the $50 million loan. Two million five hundred thousand of Red Robin International’s shares issued to the Company’s shareholders have been placed in escrow to satisfy any adjustments to the purchase price and any claims of indemnity. Forty percent of the escrowed shares may be released on the earlier of eighteen months after the date of closing or 60 days after the issuance of Red Robin International’s fiscal 2000 audited financial statements. Fifty percent of the balance may be released two years after closing. The remaining balance may be released on the earlier of three years after closing or the closing of an initial public offering (“IPO”) by Red Robin International.

The accompanying financial statements do not contain adjustments to reflect any changes in the basis of assets and liabilities that may be made as a result of the acquisition by Red Robin International.

2. Summary of Significant Accounting Policies:

Reporting Period

For the purpose of these statements, the reporting period is from December 27, 1999 through May 10, 2000.

Estimates

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

Cash and Cash Equivalents

For the purpose of cash flows the Company considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist primarily of food, beverages and paper supplies.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The provision for depreciation and amortization has been calculated using the straight-line method. These assets are depreciated over the following useful lives:

Buildings and leasehold improvements	5-20 years
Furniture and equipment	5-10 years
Smallwares	2 years

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and are included in other assets in the Company's balance sheet. The provision for amortization has been calculated using the straight-line method. The assets are amortized using the following useful lives:

License agreements	15-20 years
Goodwill	18 years

Amortization expense was $8,083 for the period from December 27, 1999 through May 10, 2000.

Revenue Recognition

The Company recognizes revenue, gross, upon point of sale of its products to customers. Discounts, employee meals and other promotional allowances are recognized as other controllable costs, and were approximately $330,000 for the period December 27, 1999 through May 10, 2000.

Reorganization Costs

Reorganization costs include direct third-party costs incurred in connection with evaluation and execution of certain activities performed in anticipation of the sale of the Company (see Note 1). Such costs are expensed as incurred.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

3. Supplemental Financial Statement Data:

Property and equipment at May 10, 2000 consisted of the following:

Land	$	1,189,883
Buildings and leasehold improvements		9,051,336
Furniture and equipment		8,593,752
Smallwares		279,231
Less-Accumulated depreciation and amortization		(8,209,404)
Total property and equipment, net	$	10,904,798
Other assets at May 10, 2000 consisted of the following:		
License agreements	$	345,000
Goodwill		134,777
Cash surrender of insurance policies		247,002
Less-Accumulated amortization		(263,704)
Total other assets, net	$	463,075

4. License Costs:

The Company has entered into License Agreements with Red Robin International for its fourteen currently operating stores, including the lease agreement with Snyder Investments, Inc. ("Snyder I") discussed in Note 8. The License Agreements are for periods of fifteen to twenty years, and are renewable by the Company for additional periods of five to twenty years upon refurbishing each existing store, or a substitute location, in compliance with Red Robin International's store specifications then in effect.

The License Agreements currently provide for a one time license fee of $35,000 per restaurant. Red Robin International is also entitled to a continuing royalty and service fee of 4.5% of gross sales, which includes an advertising fund contribution of .5% of gross sales. Gross sales are defined as gross sales less discounts, allowances, customer credits and sales tax collected. In addition, the Company is required to spend 2% of gross sales of each restaurant for advertising. Two officers of the Company personally guarantee payment and performance under currently existing License Agreements with Red Robin International.

5. Capital Stock:

During 1998, the Company formally executed a stock repurchase agreement. Pursuant to the repurchase agreement, during the period January 1, 1997 through December 31, 2002, at its discretion, the Company will make graduated payments to a stockholder. At the end of the six-year period, the stockholder's ownership will be equal to 10% of the outstanding common stock of the Company adjusted for any subsequent issuances. All redemption shares, not previously redeemed, were redeemed immediately prior to the Company being acquired for the consideration set forth in the repurchase agreements.

6. Notes Payable:

The Company had notes payable to various financial intermediaries and individuals with effective interest rates ranging from 7.9% to 25%, due in monthly payments ranging from $793 to $19,520, including interest, maturing from January 2001 through June 2011. One such note payable also requires monthly terminating payments of $2,917 which began in December 1996 and will continue until November 2006. The discounted

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

value of the terminating payments is included in notes payable. Certain of the notes payable are secured by restaurant property and equipment.

Following is a schedule of annual aggregate maturities of notes payable for the fiscal years subsequent to May 10, 2000:

2001	$	1,454,678
2002		432,271
2003		442,539
2004		327,471
2005		242,407
Thereafter	$	1,157,993
Total	$	4,057,359

Certain of the notes payable above include financial covenants and have been guaranteed by certain officers of the Company. The Company was not in compliance with such financial covenants with respect to one such note as of May 10, 2000. Under the default provisions of the note, the Company could be forced to repay all indebtedness immediately. As of May 10, 2000, approximately $741,000 was outstanding under the note, and is all included in the current portion of notes payable in the accompanying financial statements.

7. Advances to Stockholder:

At May 10, 2000, the Company had advanced amounts totaling approximately $1,921,000 to a stockholder. Beginning January 1, 2000 the advance was to be repaid over 120 months. As of May 10, 2000 interest only payments had been made on the outstanding balance.

8. Commitments and Contingencies:

Operating Lease Commitments

The Company leases equipment and restaurant space under various operating leases, which expire through the year 2020. With respect to the Company’s restaurant sites, the leases generally contain renewal options and provide that the Company will pay for insurance, taxes and maintenance. Certain restaurant leases also provide for the payment of additional amounts if sales exceed specified levels.

Capital Lease Obligations

As of May 10, 2000, the Company had capital lease obligations for property and equipment associated with five of its restaurants and the corporate office. The leases have remaining terms between 1 month and 16 years, require interest payments at rates varying from 7.4% to 13.9% and are secured by the related property and equipment.

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

The future minimum lease payments under noncancelable operating and capital leases as of May 10, 2000 are as follows:

	Operating Lease	Capital Lease
May 11, 2000—May 10, 2001	$ 2,159,606	$ 1,154,586
May 11, 2001—May 10, 2002	1,993,352	978,124
May 11, 2002—May 10, 2003	1,961,475	981,097
May 11, 2003—May 10, 2004	1,899,477	906,677
May 11, 2004—May 10, 2005	1,644,095	933,031
Thereafter	13,009,584	11,214,072
Total future minimum leases	$ 22,667,589	$ 16,167,587
Less—amount representing interest		$ 9,870,448
Present value of net future minimum lease payments		6,297,139
Less—amounts due within one year		248,622
		$ 6,048,517

Certain of the capital leases above include financial covenants and provide for periodic rent increases and renewal options and have been guaranteed by certain officers of the Company.

Rent expense under operating leases totaled approximately $846,000 for the period ended May 10, 2000.

Restaurant Lease Agreement with Snyder I

Effective March 25, 1990, the Company entered into an agreement with Snyder I, the owner and operator of a Red Robin restaurant in Yakima, Washington, and a related party of the Company. Pursuant to the terms of the agreement, the Company is leasing the operations of Snyder I over the remaining franchise term, including a 10-year extension as provided for in Snyder I's franchise agreement with Red Robin International, through December 2004. The Company pays a monthly lease payment to Snyder I based on 3% of gross sales, as defined, which totaled $29,100 for the period-December 27, 1999 through May 10, 2000. This payment is offset against debt service payments made by the Company on behalf of Snyder I. The excess of such debt service payments over the cumulative lease payments due is reflected as a receivable from affiliate on the accompanying balance sheet.

9. Income Taxes

The Company accounts for income taxes using the asset and liability approach in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The difference between the income tax benefit and that computed using the statutory federal income tax rate is due primarily to state income taxes, certain nondeductible operating expenses and an increase in the valuation allowance on deferred tax assets.

The Company has net operating losses of approximately $350,000, which expire in 2014. These amounts may be carried forward to offset income taxes due in future periods. The utilization of any such carryforward is limited due to the change of control following the acquisition by Red Robin International. As of May 10, 2000 the Company's deferred tax assets and liabilities represent income taxes at enacted statutory rates on temporary differences which primarily result from accelerated depreciation methods, certain expenses which are not yet

THE SNYDER GROUP COMPANY

NOTES TO FINANCIAL STATEMENTS—(Continued)

deductible for tax purposes and net operating loss carry forwards. Due to the losses incurred through 2000, the net deferred tax asset has been reserved. Following is a summary of the Company's deferred tax assets and liabilities at May 10, 2000:

	2000
Deferred tax assets:	
Net operating loss carryforwards	130,550
Accrued liabilities	165,771
Total deferred tax assets	296,321
Valuation Allowance	(246,446)
Deferred tax liabilities:	
Property and equipment	(49,875)
Total deferred tax liabilities	(49,875)

During the period from December 27, 1999 through May 10, 2000, the Company realized a current tax benefit of $110,600 related to the utilization of net operating losses to recover income taxes paid in prior years.

10. Related Parties:

The Company's liability and property insurance was purchased from a company that employs a director and shareholder as a broker and officer. Total liability and property insurance premiums paid for the period December 27, 1999 through May 10, 2000 were $53,000.

The Company leases an aircraft from a company that is owned by an officer and shareholder. Lease payments for the period December 27, 1999 through May 10, 2000 were $50,000.

A director and shareholder of the Company is employed as a consultant pursuant to the Consulting and Stock Redemption Agreement formally executed during 1998. Per the agreement, the Company is required to make monthly payments commencing January 1, 1997 through December 31, 2002. However, prior to sale of the Company assets all remaining compensation due under this agreement was required to be paid. Total payments for the period December 27, 1999 through May 10, 2000 were $144,000.

A relative of an officer and shareholder owns a company that performs plant maintenance at the Company's headquarters and several Colorado restaurants. Total payments for the period December 27, 1999 through May 10, 2000 were $25,600.

11. Event Subsequent to Auditor's Report (Unaudited):

On June 4, 2002, the Board of Directors and stockholders of Red Robin Gourmet Burger's, Inc. ("RRGB" and formerly Red Robin International, Inc.) authorized a 1 for 2.9 reverse stock split to be effected immediately prior to RRGB's contemplated initial public offering. As a result, the number of shares of RRGB's common stock issued in the transaction discussed in Note 1 will be converted from 5,480,152 to 1,889,708 and the number of shares of RRGB's common stock that have been placed in escrow will be converted from 2,500,000 to 862,069.

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5,038,000 Shares

Common Stock

Prospectus

, 2002

Banc of America Securities LLC

U.S. Bancorp Piper Jaffray

Wachovia Securities

Until , 2002, all dealers that buy, sell or trade the common stock may be required to deliver a prospectus regardless of whether they are participating in the offering. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other expenses of issuance and distribution

The following table sets forth all expenses payable by Red Robin Gourmet Burgers, Inc. (the “Registrant”) in connection with the sale of the common stock being registered. All of the amounts shown are estimates, except for the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing application fee.

	Amount to Be Paid
Registration fee	$ 8,529
NASD filing fee	9,770
Nasdaq National Market listing application fee	100,000
Blue sky qualification fees and expenses	10,000
Printing and engraving expenses	175,000
Legal fees and expenses	500,000
Accounting fees and expenses	275,000
Transfer agent and registrar fees	10,000
Miscellaneous	61,701
Total	$ 1,150,000

Item 14. Indemnification of officers and directors

Under Section 145 of the Delaware General Corporation Law, the Registrant has broad powers to indemnify its directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the “Securities Act”).

The Registrant’s Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws include provisions to (i) eliminate the personal liability of its directors and officers for monetary damages resulting from breaches of their fiduciary duty to the extent permitted by Section 102(b)(7) of the General Corporation Law of Delaware (the “Delaware Law”) and (ii) require the Registrant to indemnify its directors and officers to the fullest extent permitted by Section 145 of the Delaware Law, including circumstances in which indemnification is otherwise discretionary. Pursuant to Section 145 of the Delaware Law, a corporation generally has the power to indemnify its present and former directors, officers, employees and agents against expenses incurred by them in connection with any suit to which they are or are threatened to be made, a party by reason of their serving in such positions so long as they acted in good faith and in a manner they reasonably believed to be in or not opposed to, the best interests of the corporation and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. The Registrant believes that these provisions are necessary to attract and retain qualified persons as directors and officers. These provisions do not eliminate the directors’ duty of care, and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware Law. In addition, each director will continue to be subject to liability for breach of the director’s duty of loyalty to the Registrant, for acts or omissions not in good faith or involving intentional misconduct, for knowing violations of law, for acts or omissions that the director believes to be contrary to the best interests of the Registrant or its stockholders, for any transaction from which the director derived an improper personal benefit, for acts or omissions involving a reckless disregard for the director’s duty to the Registrant or its stockholders when the director was aware or should have been aware of a risk of serious injury to the Registrant or its stockholders, for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the Registrant or its stockholders, for improper transactions between the director and the Registrant and for improper distributions to stockholders and loans to directors and officers. The provision also does not affect a director's responsibilities under any other law, such as the federal securities law or state or federal environmental laws.

The Registrant has entered into indemnification agreements with certain directors and executive officers and intends to enter into indemnification agreements with all of its other directors and executive officers prior to the consummation of the offering. Under these agreements, the Registrant will indemnify its directors and executive officers against amounts actually and reasonably incurred in connection with actual or threatened proceedings if any of them may be made a party because of their role as a director or officer. The Registrant is obligated to pay these amounts only if the officer or director acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the Registrant's best interests. For any criminal proceedings, the Registrant is obligated to pay these amounts only if the officer or director had no reasonable cause to believe his or her conduct was unlawful. The indemnification agreements also set forth procedures that will apply in the event of a claim for indemnification thereunder.

At present, there is no pending litigation or proceeding involving a director or officer of the Registrant as to which indemnification is being sought nor is the Registrant aware of any threatened litigation that may result in claims for indemnification by any officer or director.

The Registrant intends to apply for an insurance policy covering the officers and directors of the Registrant with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

Reference is made to the indemnification and contribution provisions of the Underwriting Agreement filed as an exhibit to this Registration Statement.

Item 15. Recent sales of unregistered securities

Sales of Securities by Red Robin Gourmet Burgers, Inc.

None of the following sales of securities utilized any form of general advertisement or general solicitation.

1. On January 17, 2001, the Registrant issued 345 shares of its common stock to Red Robin International, Inc., a Nevada corporation ("RRI"), in exchange for $1,000 in cash. The sale and issuance of the securities described in this paragraph were exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

2. On August 9, 2001, the Registrant effected a corporate reorganization (the "Reorganization") in the form of a merger pursuant to which RRI became a wholly owned subsidiary of the Registrant. Pursuant to the Reorganization, each previously issued and outstanding share of common stock of the Registrant was cancelled and retired, and each outstanding share of common stock of RRI was converted into an equal number of shares of the common stock of the Registrant. The total number of shares of common stock of the Registrant issued in connection with the Reorganization was 10,090,311. The issuance of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

3. On the effective date of the Reorganization, the Registrant assumed all obligations of RRI under outstanding options that had previously been issued by RRI pursuant to RRI's 1990 Stock Option Plan (the "1990 Plan"), 1996 Stock Option Plan (the "1996 Plan") and 2000 Management Performance Common Stock Option Plan (the "2000 Plan"). Options to purchase an aggregate of 1,407,190 shares of RRI common stock were automatically converted into options to purchase a like number of shares of the Registrant's common stock. RRI had initially granted these options at exercise prices ranging from $5.80 to $7.25 per share to key employees, officers and directors of RRI. The vesting of all options granted pursuant to the 1990 Plan and the 1996 Plan were fully vested and exercisable prior to the Reorganization. The vesting of a majority of the options granted pursuant to the 2000 Plan occurred over a three-year period, with 50% vesting on the second anniversary of the

grant date and the remainder on the third anniversary of the grant date. Vesting of the remainder of the options granted pursuant to the 2000 Plan either (a) is dependent upon the Registrant meeting certain performance targets, or (b) occurs over a period of time ranging from immediately to seven years following their respective dates of grant. The grant of these stock options was exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the grant of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

4. Following the Reorganization, the Registrant granted options to purchase an aggregate of 113,903 shares of common stock pursuant to the 2000 Plan. A majority of these options vest over a three-year period, with 50% vesting on the second anniversary of the grant date and the remainder on the third anniversary of the grant date. Vesting of the remainder of these options either (a) is dependent upon the Registrant meeting certain performance targets, or (b) occurs over a period of time ranging from immediately to four years following their respective dates of grant. The grant of these stock options was exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the grant of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

5. On February 12, 2002, the Registrant sold 172 shares of its common stock to Amy Hadje for $1,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

6. On April 25, 2002, the Registrant sold 517,241 shares of its common stock to Mike Snyder, the chief executive officer of the Registrant, upon the exercise of stock options. Mr. Snyder paid the exercise price for the stock options to the Registrant in the form of a full recourse promissory note in the principal amount of $3.0 million. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the issuance of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

7. On April 25, 2002, the Registrant sold 172,415 shares of its common stock to Jim McCloskey, the chief financial officer of the Registrant, upon the exercise of stock options. Mr. McCloskey paid the exercise price for the stock options to the Registrant in the form of full recourse promissory notes in the aggregate principal amount of $1,050,000. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the issuance of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

8. On April 25, 2002, the Registrant sold 146,551 shares of its common stock to Mike Woods, the senior vice president of franchise development of the Registrant, upon the exercise of stock options. Mr. Woods paid the exercise price for the stock options to the Registrant in the form of full recourse promissory notes in the aggregate principal amount of $850,000. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the issuance of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

9. On April 25, 2002, the Registrant sold 86,207 shares of its common stock to Bob Merullo, the senior vice president of restaurant operations of the Registrant, upon the exercise of stock options. Mr. Merullo paid the exercise price for the stock options to the Registrant in the form of a full recourse promissory note in the principal amount of $500,000. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the issuance of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

10. On April 26, 2002, the Registrant sold 690 shares of its common stock to William Gadbaw for $4,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

11. On April 30, 2002, the Registrant sold 12,069 shares of its common stock to Howard C. Jenkins for $70,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

12. On June 24, 2002, the Registrant sold 517 shares of its common stock to Tim Cook for $3,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

13. On June 26, 2002, the Registrant sold 276 shares of its common stock to Elise Hudson for $1,600 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

Sales of Securities by Red Robin International, Inc.

None of the following sales of securities utilized any form of general advertisement or general solicitation.

1. On November 23, 1999, RRI sold 8,621 shares of its common stock to Beverly Udhus for $50,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

2. On May 11, 2000, RRI acquired The Snyder Group Company by means of a merger in exchange for 1,889,708 shares of its common stock, approximately $9.2 million in debentures and approximately $1.8 million in notes issued to the stockholders of The Snyder Group Company pursuant to an Agreement and Plan of Merger, dated February 18, 2000, among RRI, Red Robin Holding Co., Inc., The Snyder Group Company and the stockholders of The Snyder Group Company (the “Merger Agreement”). In connection with this transaction, on May 10, 2001, RRI issued an additional 9,659 shares of its common stock and paid an additional $18,284 in cash and $37,740 in debentures to the stockholders of The Snyder Group Company as an adjustment to the merger consideration in accordance with the terms of the Merger Agreement. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

3. On May 11, 2000, RRI sold an aggregate of 4,310,344 shares of its common stock to RR Investors, LLC and RR Investors II, LLC for $25.0 million pursuant to a Stock Subscription Agreement, dated February 18, 2000, among RRI, RR Investors and RR Investors II. The sale and issuance of securities described in this

paragraph were exempt from the registration requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

4. On May 11, 2000, RRI sold an aggregate of 775,862 shares of its common stock to Hibari Guam Corporation in exchange for the satisfaction, forgiveness and cancellation of a promissory note executed by RRI in favor of Hibari Guam in the principal amount of $4.5 million pursuant to a Common Stock Subscription Agreement, dated May 11, 2000, between RRI and Hibari Guam. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

5. On May 31, 2000, RRI sold an aggregate of 23,416 shares of its common stock to Larry Kingen for $135,810, 3,957 shares of its common stock to Martha Kingen for $22,948, 11,304 shares of its common stock to Peter Beck for $65,564 and 23,416 shares of its common stock to Gregory Hubert for $135,810 pursuant to a Common Stock Subscription Agreement, dated December 29, 1986, among Skylark Co., Ltd., Mr. Kingen, Ms. Kingen, Mr. Beck, Mr. Hubert and Gerald Kingen. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

6. On June 7, 2000, RRI sold 2,414 shares of its common stock to Gary J. Singer for $14,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation. Alternatively, the issuance of securities described in this paragraph was exempt from the registration requirements of the Securities Act by reason of Section 4(2) of the Securities Act as a transaction not involving a public offering.

7. On June 30, 2000, RRI sold 3,448 shares of its common stock to Michael Gage for $20,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

8. On October 11, 2000, RRI sold 2,034 shares of its common stock to John Baxter for $11,800, 1,637 shares of its common stock to Merle Switzer for $9,500, 828 shares of its common stock to Lawrence Brown for $4,800, 3,534 shares of its common stock to Joe Marsh for $20,500, 2,448 shares of its common stock to Ben Hsu for $14,200, 2,448 shares of its common stock to Graham Fitch for $14,200, 828 shares of its common stock to Scott Switzer for $4,800, and 21,190 shares of its common stock to Marcus Zanner for $122,900 pursuant to common stock subscription agreements between RRI and each purchaser. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

9. On November 22, 2000, RRI sold 862 shares of its common stock to Robert Derian for $5,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

10. On December 21, 2000, RRI sold 4,103 shares of its common stock to April Downing-Eriksen for $23,800, 862 shares of its common stock to Gary Piercey for $5,000, 1,638 shares of its common stock to George Kohn for $9,500, 690 shares of its common stock to Joe Empens for $4,000, 828 shares of its common stock to John McKay for $4,800, 2,052 shares of its common stock to John Hilliard, Jr. for of $11,900, 690 shares of its common stock to John McCormack for $4,000, 862 shares of its common stock to Katelyn Marie Kingen for $5,000, 4,103 shares of its common stock to Lynn Brecht for $23,800, and 1,638 shares of its common stock to Slam Co., Inc. for $9,500 pursuant to common stock subscription agreements between RRI and each purchaser. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act by virtue of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

11. On February 5, 2001, RRI sold 34 shares of its common stock to Paul Rennemeyer for $200 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

12. On March 22, 2001, RRI sold 172 shares of its common stock to Heidi McNatt for $1,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

13. On April 23, 2001, RRI sold 1,724 shares of its common stock to Craig Russell for $10,000 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

14. On May 11, 2001, RRI sold 2,379 shares of its common stock to Matthew Cohen for $13,800 pursuant to the exercise of stock options. The sale and issuance of securities described in this paragraph were exempt from the registration requirements of the Securities Act pursuant to Rule 701 under the Securities Act for securities sold pursuant to certain compensatory benefit plans and contracts relating to compensation.

Item 16. Exhibits and financial statement schedule

(a) Exhibits.

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
2.1†	Agreement and Plan of Merger, dated February 18, 2000, by and among Red Robin International, Inc., Red Robin Holding Co., Inc., The Snyder Group Company and the stockholders of The Snyder Group Company.
2.2†	Closing Agreement and Amendment to Merger Agreement, entered into as May 11, 2000, by and among Red Robin International Inc., Red Robin Holding Co., Inc., The Snyder Group Company and the stockholders of The Snyder Group Company.
2.3†	Memorandum Agreement, dated May 10, 2001, by and among The Snyder Group Company, Red Robin International, Inc., Red Robin West, Inc., Rodney Bench, as trustee of that certain Trust Indenture Agreement, dated May 11, 2000, by and among Red Robin International, Inc., Rodney Bench and Bunch Grass Leasing, LLC. Filed as Exhibit 10.16.
2.4†	Agreement and Plan of Merger, dated January 23, 2001, by and among Red Robin International, Inc., Red Robin Gourmet Burgers, Inc. and Red Robin Merger Sub, Inc.
2.5†	Stock Purchase Agreement, dated as of September 19, 2001, by and among Western Franchise Development, Inc., Dennis E. Garcelon and E. Marlena Garcelon, trustees of the Garcelon Trust dated January 6, 1992, Samuel Winston Garcelon and Red Robin International, Inc.
3.1*	Amended and Restated Certificate of Incorporation.
3.2*	Amended and Restated Bylaws.
4.1†	Specimen Stock Certificate.
5.1	Opinion of O’Melveny & Myers LLP.

Exhibit Number	Description of Document
10.1†	Red Robin Gourmet Burgers, Inc. Incentive Stock Option and Nonqualified Stock Option Plan – 1990.
10.2†	Red Robin Gourmet Burgers, Inc. 1996 Stock Option Plan.
10.3†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan.
10.4*	Red Robin Gourmet Burgers, Inc. 2002 Stock Incentive Plan.
10.5*	Red Robin Gourmet Burgers, Inc. Employee Stock Purchase Plan.
10.6†	Stock Subscription Agreement, dated as of February 18, 2000, between Red Robin International, Inc., a Nevada corporation, RR Investors, LLC, a Virginia limited liability company, and RR Investors II, LLC, a Virginia limited liability company.
10.7†	Amended and Restated Shareholders Agreement, dated August 9, 2001, by and among Red Robin Gourmet Burgers, Inc., Skylark Co., Ltd., RR Investors LLC, RR Investors II, LLC, Michael J. Snyder and certain other stockholders named therein.
10.8†	Registration Rights Agreement, dated May 11, 2000, by and among Red Robin International, Inc., Skylark Co., Ltd., RR Investors LLC, RR Investors II, LLC, Michael J. Snyder and certain stockholders named therein.
10.9†	First Amendment to Registration Rights Agreement, dated August 9, 2001, by and among Red Robin Gourmet Burgers, Inc., Red Robin International, Inc., Skylark Co., Ltd., RR Investors LLC, RR Investors II, LLC, Michael J. Snyder and certain other stockholders named therein.
10.10†	Employment Agreement, dated May 11, 2000, by and between Red Robin International, Inc. and Michael J. Snyder.
10.11†	Employment Agreement, dated January 7, 1997, by and between Mike Woods and Red Robin International, Inc.
10.12†	Non-Interference, Non-Disclosure and Non-Competition Agreement, dated May 11, 2000, by and among RR Investors, LLC, RR Investors II, LLC, Red Robin International, Inc. and Michael J. Snyder.
10.13†	Consulting Services Agreement, dated May 11, 2000, by and between Red Robin International, Inc. and Quad-C Management, Inc.
10.14†	Escrow Agreement, dated May 11, 2000, by and among Red Robin International, Inc., Red Robin Holding Co., Inc., the former stockholders of The Snyder Group Company and The Bank of New York, as escrow agent.
10.15†	First Amendment to Escrow Agreement, dated August 9, 2001, by and among Red Robin Gourmet Burgers, Inc., Red Robin International, Inc., Red Robin West, Inc., the former stockholders of The Snyder Group Company and The Bank of New York, as escrow agent.
10.16†	Memorandum Agreement, dated May 10, 2001, by and among The Snyder Group Company, each stockholder of The Snyder Group Company, Red Robin International, Inc., Red Robin West, Inc., Rodney Bench, as trustee of that certain Trust Indenture Agreement, dated May 11, 2000, by and among Red Robin International, Inc., Rodney Bench and Bunch Grass Leasing, LLC.
10.17†	Loan Agreement, dated as of September 6, 2000, among Red Robin International, Inc., Red Robin Distributing Company, Inc., Red Robin Holding Co., Inc., Red Robin of Baltimore County, Inc., Red Robin of Anne Arundel County, Inc., Finova Capital Corporation and certain other financial institutions from time to time party thereto.

Exhibit Number	Description of Document
10.18†	First Amendment to Loan Instruments, dated as of August 9, 2001, by and among Red Robin Gourmet Burgers, Inc., Red Robin International, Inc., Red Robin Distributing Company, Inc., Red Robin West, Inc., Red Robin of Baltimore County, Inc., Red Robin of Montgomery County, Inc., Red Robin of Anne Arundel County, Inc., Finova Capital Corporation and certain other financial institutions from time to time party thereto.
10.19†	Second Amendment to Loan Instruments, dated as of January 31, 2002, by and among Red Robin Gourmet Burgers, Inc., Red Robin International, Inc. Red Robin Distributing Company, Inc., Red Robin West, Inc., Red Robin of Baltimore County, Inc., Red Robin of Montgomery County, Inc., Red Robin of Anne Arundel County, Inc., Western Franchise Development, Inc., Finova Capital Corporation and certain other financial institutions from time to time party thereto.
10.20	Form of Indemnification Agreement entered into by and between Red Robin Gourmet Burgers, Inc. and each of our directors and executive officers.
10.21†	Master Loan Agreement, dated November 3, 2000, by and between Red Robin and General Electric Capital Business Asset Funding Corporation.
10.22†	Promissory Note, dated June 30, 2000, by Michael J. Snyder in favor of Red Robin International, Inc.
10.23†	Promissory Note, dated February 27, 2001, by Michael J. Snyder in favor of Red Robin International, Inc.
10.24†	Pledge Agreement, dated June 30, 2000, by and between Michael J. Snyder and Red Robin International, Inc.
10.25†	Pledge Agreement, dated February 27, 2001, by and between Michael J. Snyder and Red Robin International, Inc.
10.26†	Agreement, dated July 15, 1998, by and between Red Robin International, Inc. and McClain Finlon Advertising, Inc., as amended.
10.27†**	Fountain Beverage Agreement, dated April 1, 2000, by and between Pepsi-Cola Company, a division of PepsiCo, a North Carolina corporation, and Red Robin International, Inc.
10.28**	Master Distribution Agreement, dated May 16, 2001, by and between Sysco Corporation and Red Robin International, Inc.
10.29†	Credit Agreement, dated as of April 12, 2002, between Red Robin International, Inc. and U.S. Bank National Association.
10.30†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between Robert J. Merullo and Red Robin Gourmet Burgers, Inc.
10.31†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between James P. McCloskey and Red Robin Gourmet Burgers, Inc.
10.32†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between James P. McCloskey and Red Robin Gourmet Burgers, Inc.
10.33†	Secured Promissory Note, dated April 25, 2002 executed by James P. McCloskey in favor of Red Robin Gourmet Burgers, Inc.
10.34†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between Michael J. Snyder and Red Robin Gourmet Burgers, Inc.

Exhibit Number	Description of Document
10.35†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between Michael E. Woods and Red Robin Gourmet Burgers, Inc.
10.36†	Secured Promissory Note, dated April 25, 2002, executed by Michael E. Woods in favor of Red Robin Gourmet Burgers, Inc.
10.37	Letter Agreement, dated June 6, 2002, by and among Wachovia Bank, National Association, First Union Securities, Inc. and Red Robin International, Inc.
21.1†	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP, Independent Auditors.
23.2	Consent of O'Melveny & Myers LLP. Reference is made to Exhibit 5.1.
24.1†	Power of Attorney.

* To be filed by amendment.
** Confidential treatment has been requested for a portion of this Exhibit.
† Previously filed.

(b) Financial statement schedules.

All schedules are omitted because they are not required, are not applicable or the information is included in our financial statements or notes thereto.

Item 17. Undertakings

The Registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Greenwood Village, County of Arapahoe, State of Colorado, on July 12, 2002.

By: /s/ MICHAEL J. SNYDER

Michael J. Snyder
Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/S/ MICHAEL J. SNYDER **Michael J. Snyder**	Chairman of the Board, President, Chief Executive Officer and Director *(Principal Executive Officer)*	July 12, 2002
/s/ JAMES P. MCCLOSKEY **James P. McCloskey**	Chief Financial Officer *(Principal Financial and Accounting Officer)*	July 12, 2002
* **Edward T. Harvey**	Director	July 12, 2002
* **Terrence D. Daniels**	Director	July 12, 2002
* **Gary J. Singer**	Director	July 12, 2002
* **Tasuku Chino**	Director	July 12, 2002

*By: /s/ MICHAEL J. SNYDER

Michael J. Snyder
Attorney-in-fact

EXHIBIT INDEX

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2.3†	Memorandum Agreement, dated May 10, 2001, by and among The Snyder Group Company, Red Robin International, Inc., Red Robin West, Inc., Rodney Bench, as trustee of that certain Trust Indenture Agreement, dated May 11, 2000, by and among Red Robin International, Inc., Rodney Bench and Bunch Grass Leasing, LLC. Filed as Exhibit 10.16.
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10.22†	Promissory Note, dated June 30, 2000, by Michael J. Snyder in favor of Red Robin International, Inc.
10.23†	Promissory Note, dated February 27, 2001, by Michael J. Snyder in favor of Red Robin International, Inc.
10.24†	Pledge Agreement, dated June 30, 2000, by and between Michael J. Snyder and Red Robin International, Inc.
10.25†	Pledge Agreement, dated February 27, 2001, by and between Michael J. Snyder and Red Robin International, Inc.
10.26†	Agreement, dated July 15, 1998, by and between Red Robin International, Inc. and McClain Finlon Advertising, Inc., as amended.

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Exhibit Number	Description of Document
10.27†**	Fountain Beverage Agreement, dated April 1, 2000, by and between Pepsi-Cola Company, a division of PepsiCo, a North Carolina corporation, and Red Robin International, Inc.
10.28**	Master Distribution Agreement, dated May 16, 2001, by and between Sysco Corporation and Red Robin International, Inc.
10.29†	Credit Agreement, dated as of April 12, 2002, between Red Robin International, Inc. and U.S. Bank National Association.
10.30†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between Robert J. Merullo and Red Robin Gourmet Burgers, Inc.
10.31†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between James P. McCloskey and Red Robin Gourmet Burgers, Inc.
10.32†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between James P. McCloskey and Red Robin Gourmet Burgers, Inc.
10.33†	Secured Promissory Note, dated April 25, 2002 executed by James P. McCloskey in favor of Red Robin Gourmet Burgers, Inc.
10.34†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between Michael J. Snyder and Red Robin Gourmet Burgers, Inc.
10.35†	Red Robin Gourmet Burgers, Inc. 2000 Management Performance Common Stock Option Plan Option Exercise Agreement—Early Exercise, dated April 25, 2002, by and between Michael E. Woods and Red Robin Gourmet Burgers, Inc.
10.36†	Secured Promissory Note, dated April 25, 2002, executed by Michael E. Woods in favor of Red Robin Gourmet Burgers, Inc.
10.37	Letter Agreement, dated June 6, 2002, by and among Wachovia Bank, National Association, First Union Securities, Inc. and Red Robin International, Inc.
21.1†	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP, Independent Auditors.
23.2	Consent of O'Melveny & Myers LLP. Reference is made to Exhibit 5.1.
24.1†	Power of Attorney.

* To be filed by amendment.
** Confidential treatment has been requested for a portion of this Exhibit.
† Previously filed.

EXHIBIT 5.1

[LETTERHEAD OF O'MELVENY & MYERS LLP]

July 12, 2002

Red Robin Gourmet Burgers, Inc.
5575 DTC Parkway, Suite 110
Greenwood Village, Colorado 80111

Re: Registration of Securities of Red Robin Gourmet Burgers, Inc.

Ladies and Gentlemen:

At your request, we have examined the Registration Statement (the "Registration Statement") on Form S-1 (File No. 333-87044) of Red Robin Gourmet Burgers, Inc., a Delaware corporation (the "Company"), in connection with the registration under the Securities Act of 1933 of (a) 4,000,000 shares (the "Company Shares") of Common Stock, $0.001 par value per share, of the Company ("Common Stock"), and (b) an aggregate of 1,793,700 shares (the "Selling Stockholder Shares") of Common Stock owned of record by four of the Company's existing stockholders.

We are of the opinion that:

(i) The Company Shares have been duly authorized by all necessary corporate action on the part of the Company and, upon payment for and delivery of the Company Shares as contemplated by the Registration Statement and the countersigning of the certificate or certificates representing the Company Shares by a duly authorized signatory of the registrar for the Common Stock or the book-entry of the Company Shares by the transfer agent for the Company's Common Stock in the name of The Depository Trust Company or its nominee, the Company Shares will be validly issued, fully paid and non-assessable.

(ii) The Selling Stockholder Shares have been duly authorized by all necessary corporation action on the part of the Company and are validly issued, fully paid and non-assessable.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the Prospectus constituting part of the Registration Statement.

Respectfully submitted,

/s/ O'Melveny & Myers LLP

Exhibit 10.20

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is made and entered into effective as of _________ __, 2002, by and between Red Robin Gourmet Burgers, Inc., a Delaware corporation (the "Company"), and ____________ (the "Indemnitee"), a director and/or officer of the Company.

BACKGROUND

A. The Indemnitee has been selected to serve or is currently serving as a director and/or officer of the Company and in such capacity is expected to render or has rendered valuable services to the Company.

B. The Company has investigated the availability and sufficiency of liability insurance and Delaware statutory indemnification provisions to provide its directors and officers with adequate protection against various legal risks and potential liabilities to which directors and officers are subject due to their position with the Company and has concluded that insurance and statutory provisions may provide inadequate and unacceptable protection to certain individuals requested to serve as its directors and officers.

C. In recognition of past services and in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve as directors and officers of the Company, the Board of Directors has determined, after due consideration and investigation of the terms and provisions of this Agreement and the various other options available to the Company and the Indemnitee in lieu of this Agreement, that this Agreement is not only reasonable and prudent, but necessary to promote and ensure the best interests of the Company and its stockholders.

AGREEMENT

In consideration of the services and continued services of the Indemnitee and in order to induce the Indemnitee to serve or to continue to serve as a director and/or officer of the Company, the Company and the Indemnitee agree as follows:

1. Indemnity of the Indemnitee. The Company hereby agrees to hold harmless and indemnify the Indemnitee to the full extent authorized or permitted by the provisions of Section 145 of the Delaware General Corporation Law, as such may be amended from time to time, and Article XV of the Bylaws of the Company, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Other Than Proceedings by or in the Right of the Company. The Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), he is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), the Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) Proceedings by or in the Right of the Company. The Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company; provided, however, that, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which the Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that a court of competent jurisdiction shall finally determine that such indemnification may be made.

(c) Indemnification for Expenses of a Party who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If the

Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify the Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1, the Company shall and hereby does indemnify and hold harmless the Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of the Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to the Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 7, 8 and 9 hereof) to be unlawful under Delaware law.

3. Partial Indemnity. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of, but not the total amount of, the Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him in the investigation, defense, appeal or settlement of any Proceeding, the Company shall nevertheless indemnify the Indemnitee for the portion of the Expenses, judgments, penalties, fines and amounts paid in settlement to which the Indemnitee is entitled.

4. Contribution in the Event of Joint Liability.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring the Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against the Indemnitee. The Company shall not enter into any settlement of any Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against the Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, the Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of Expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by the Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company other than the Indemnitee who are jointly liable with the Indemnitee (or would be if joined in such Proceeding), on the one hand, and the Indemnitee, on the other hand, from the transaction from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than the Indemnitee who are jointly liable with the Indemnitee (or would be if joined in such Proceeding), on the one hand, and the Indemnitee, on the other hand, in connection with the events that resulted in such Expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company other than the Indemnitee who are jointly liable with the Indemnitee (or would be if joined in such Proceeding), on the one hand, and the Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold the Indemnitee harmless from any claims of contribution that may be brought by officers, directors or employees of the Company other than the Indemnitee who may be jointly liable with the Indemnitee.

5. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which the Indemnitee is not

a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

6. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred or reasonably anticipated to be incurred by or on behalf of the Indemnitee in connection with any Proceeding by reason of the

Indemnitee's Corporate Status within ten (10) days after the receipt by the Company of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred or reasonably anticipated to be incurred by the Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of the Indemnitee to repay any Expenses advanced if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 6 shall be unsecured and interest free. Notwithstanding the foregoing, the obligation of the Company to advance Expenses pursuant to this Section 6 shall be subject to the condition that, if, when and to the extent that the Company determines that the Indemnitee would not be permitted to be indemnified under applicable law, the Company shall be entitled to be reimbursed, within thirty (30) days of such determination, by the Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if the Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnitee should be indemnified under applicable law, any determination made by the Company that the Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and the Indemnitee shall not be required to reimburse the Company for any advance of Expenses until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

7. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for the Indemnitee rights of indemnity that are as favorable as may be permitted under the law and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether the Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification (including, but not limited to, the advancement of Expenses and contribution by the Company) under this Agreement, the Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(b) Upon written request by the Indemnitee for indemnification pursuant to the first sentence of Section 7(a) hereof, a determination, if required by applicable law, with respect to the Indemnitee's entitlement thereto shall be made in the specific case by one of the following four methods: (i) by a majority vote of the Disinterested Directors, even though less than a quorum, or (ii) by a committee of such Disinterested Directors designated by majority vote of such Disinterested Directors, even though less than a quorum, or (iii) if there are no such Disinterested Directors, or if such Disinterested Directors so direct, by Independent Counsel in a written opinion, or (iv) in the absence of Disinterested Directors and at the election of the Indemnitee, by the stockholders.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(b) hereof, the Independent Counsel shall be selected

as provided in this Section 7(c). Within 20 days of receiving a written request for Indemnification, the Company shall submit a list of three candidates from which the Indemnitee shall have 10 days to select one or to request a second list of three names, which the Company shall provide within 20 days of notification. If, within 60 days after submission by the Indemnitee of a written request for indemnification pursuant to Section 7(a) hereof, no Independent Counsel shall have been selected, either the Company or the Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, the person so appointed shall act as Independent Counsel under Section 7(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent

Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 7(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 7(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement if the Indemnitee has submitted a request for indemnification in accordance with Section 7(a) of this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(e) The Indemnitee shall be deemed to have acted in good faith if the Indemnitee's action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to the Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 7(e) are satisfied, it shall in any event be presumed that the Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under this Section 7 to determine whether the Indemnitee is entitled to indemnification shall not have made a determination within thirty (30) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 30 day period may be extended for a reasonable time, not to exceed an additional fifteen (15) days, if the person, persons or entity making the determination with

respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 7(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 7(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board of Directors or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) The Indemnitee shall cooperate with the person, persons or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board of Directors, or stockholder of the Company shall act reasonably and in good faith in making a determination under this Agreement of the Indemnitee's entitlement to indemnification. Any costs or expenses (including attorneys' fees and disbursements) incurred by the Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold the Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any Proceeding to which the Indemnitee is a party is resolved in any manner other than by adverse judgment against the Indemnitee (including, without limitation, settlement of such Proceeding with or without payment of money or other consideration) it shall be presumed that the Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

8. Change in Control. If there is a Change in Control of the Company (other than a Change in Control which has been approved by a majority of the Continuing Directors) then with respect to all matters thereafter arising concerning the rights of the Indemnitee to indemnity payments and Expense advances or contribution amounts under this Agreement or any other agreement, the Company's Certificate of Incorporation, the Company's Bylaws or other applicable law in effect relating to claims for indemnifiable events, the provisions of clauses (i), (ii) and (iv) of Section 7(b) shall no longer be applicable and following such Change in Control, the Company shall seek legal advice only from Independent Counsel. The Independent Counsel, among other things, shall render its written opinion to the Company and the Indemnitee as to whether and to what extent the Indemnitee would be entitled to be indemnified under this Agreement or applicable law. The Company shall pay the reasonable fees of the Independent Counsel referred to above and may fully indemnify the Independent Counsel against any and all

expenses (including attorneys' fees and disbursements), claims, liabilities and damages arising out of or relating to this Agreement.

9. Remedies of the Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 7 of this Agreement that the Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 6 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 7(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within thirty (30) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within thirty (30) days after a determination has been made that the Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 7 of this Agreement, the Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification. The Indemnitee shall commence such proceeding seeking an adjudication within one year following the date on which the Indemnitee first has the right to commence such proceeding pursuant to this Section 9(a). The Company shall not oppose the Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 7(b) of this Agreement that the Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 9 shall be conducted in all respects as a de novo trial, on the merits and the Indemnitee shall not be prejudiced by reason of the adverse determination under Section 7(b).

(c) If a determination shall have been made pursuant to Section 7(b) of this Agreement that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 9, absent a prohibition of such indemnification under applicable law.

(d) In the event that the Indemnitee, pursuant to this Section 9, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 16 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether the Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 9 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

10. Insurance.

(a) The Company covenants and agrees that, as long as the Indemnitee shall continue to serve as a director or officer of the Company and thereafter so long as the Indemnitee shall be subject to any possible Proceeding, the Company, subject to Section 10(c) of this Agreement, shall promptly obtain and maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance") in reasonable amounts from established and reputable insurers.

(b) In all D&O Insurance policies, the Indemnitee shall be named as an insured in a manner that provides the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors and officers.

(c) Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Company determines in good faith that insurance is not reasonably available, the premium costs for insurance are disproportionate to the amount of coverage provided, the coverage provided by insurance is so limited by exclusions that it provides an insufficient benefit, or the Indemnitee is covered by similar insurance maintained by a subsidiary of the Company.

11. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under applicable law, the certificate of incorporation of the Company, the Bylaws of the Company, any agreement, a vote of stockholders or Disinterested Directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of the Indemnitee under this Agreement in respect of any action taken or omitted by such the Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Section 145 of the Delaware General Corporation Law, as amended, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws of the Company or this Agreement, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

12. Exception to Right of Indemnification. Notwithstanding any other provision of this Agreement, the Indemnitee shall not be entitled to indemnification under this Agreement with respect to any Proceeding brought by the Indemnitee, or any claim therein, unless (a) the bringing of such Proceeding or making of such claim shall have been approved by the Board of Directors of the Company or (b) such Proceeding is being brought by the Indemnitee to assert, interpret or enforce his rights under this Agreement, the Delaware General Corporation Law, as amended, or the Bylaws of the Company.

13. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is an officer or director of the Company (or is or was serving at the request of the Company as a director, officer, employee and/or agent of another Enterprise) and shall continue thereafter so long as the Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 9 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as an officer or director of the Company or any other Enterprise at the Company's request.

14. Security. To the extent requested by the Indemnitee and approved by the Board of Directors of the Company, the Company may at any time and from time to time provide security to the Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to the Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

15. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce the Indemnitee to serve as an officer and/or director of the Company, and the Company acknowledges that the Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

16. Definitions. For purposes of this Agreement:

(a) A "Change of Control" shall be deemed to have occurred if (i) any "person" (as that term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of shares of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of

the total voting power represented by the Company's then outstanding voting securities, or (ii) during any period of two consecutive years, individuals ("Continuing Directors") who at the beginning of the two year period constitute the Board of Directors of the Company or whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board of Directors, or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such a merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the total voting power represented by the voting securities of the Company or the surviving entity outstanding immediately after the merger or consolidation, or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company (in one transaction or a series of transactions) of all or substantially all the Company's assets.

(b) "Corporate Status" describes the status of a person who is or was a director, officer, employee and/or agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the Company.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(d) "Enterprise" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise of which the Indemnitee is or was serving at the express written request of the Company as a director, officer, employee, agent or fiduciary.

(e) "Expenses" shall include all reasonable attorneys' fees, paralegal fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or its affiliates or the Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) "Proceeding" includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which the Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that the Indemnitee is or was an officer or director of the Company, by reason of any action taken by him or of any inaction on his part while acting as an officer or director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other Enterprise, in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

17. Severability. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, illegal or otherwise unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

18. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. Notice by Indemnitee. The Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

20. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to the Indemnitee, to the address set forth below the Indemnitee's signature hereto.

(b) If to the Company, to:

Red Robin Gourmet Burgers, Inc.
5575 DTC Parkway, Suite 110
Greenwood Village, Colorado 80111
Attention: Michael J. Snyder, Chief Executive Officer
With a copy to: John W. Grant, General Counsel

or to such other address as may have been furnished to the Indemnitee by the Company or to the Company by the Indemnitee, as the case may be.

21. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

22. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

23. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the

State of Delaware without application of the conflict of laws principles thereof.

24. Gender. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

COMPANY:

Red Robin Gourmet Burgers, Inc.,
a Delaware corporation

By: ________________________________
Name:
Title:

INDEMNITEE:

____
[insert name]

Address:____________________________
____
____

EXHIBIT 10.28

Confidential treatment has been requested as to certain portions of this agreement. Such omitted confidential information has been designated by an asterisk and has been filed separately with the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933, as amended, and the Commission's rules and regulations promulgated under the Freedom of Information Act, pursuant to a request for confidential treatment.

A

Sysco Corporation

Master Distribution Agreement

For

Red Robin International, Inc.

May 16, 2001

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MASTER DISTRIBUTION AGREEMENT

Master Distribution Agreement (this "Agreement"), dated May 16, 2001, between SYSCO CORPORATION for itself and on behalf of those of its operating subsidiaries and/or divisions listed in Schedule 1 (collectively, "SYSCO") and Red Robin International, Inc. and each entity that owns or operates any of the establishments listed as Customer Locations on Schedule 1.

Background

A. SYSCO performs regional and national marketing, freight management, consolidated warehousing, quality assurance and performance-based product marketing for suppliers of products to the foodservice distribution industry;

B. SYSCO performs purchasing, marketing, warehousing, quality assurance, product research and development, transportation and distribution services for foodservice customers directly and through its operating subsidiaries and divisions (collectively, "Operating Companies" and individually, "Operating Company"); and

C. Customer owns, operates, is a franchiser of, and/or acts as a group purchasing organization for the establishments listed in Schedule 1 (the "Customer Locations").

D. Customer desires to contract with SYSCO as its primary distributor for foodservice products (i.e., supplying 80% or more of such products) to all of its participating Customer Locations and SYSCO desires to perform these services.

In consideration of the mutual obligations set forth below, the parties agree as follows:

1. Appointment of Distributor

Customer appoints SYSCO to serve as its primary distributor to the Customer Locations of foodservice products within the product categories described in Schedule 2 ("Products"). By appointing SYSCO its "primary distributor" Customer agrees that each participating Customer Location will purchase not less than 80% of the dollar volume of such Customer Location's purchase requirements of Products in each Product category.

Products will include SYSCO(R) brand, national brand and other products stocked by SYSCO. SYSCO(R) brand products include all products under trademarks or tradenames owned by SYSCO as well as products under trademarks available exclusively to SYSCO(R) in foodservice distribution channels.

2. Customer Service Provided by SYSCO

2.1 Account Executive - SYSCO will assign an account executive and/or a customer service representative to service Customer's account. The account executive and/or customer service representative will maintain contact with Customer Locations, on a mutually agreed basis, to review service requirements.

2.2 Item List - SYSCO, with assistance from Customer, will prepare order guides to be used by the Customer when placing orders which will be provided on Red Robin's fiscal monthly calendar for items priced monthly and on a weekly basis for items priced weekly. SYSCO will provide order guides in hard copy format or electronically if the Customer utilizes a SYSCO direct order entry system, at Customer's option.

2.3 Policies and Procedures - A policies and procedures guide has been provided by SYSCO to all Customer Locations. Resonable notice will be given to Customer Locations when policies and procedures are changed by SYSCO. Credits, pickups and other requests for service will be initiated by local Customer Locations personnel according to the guide.

3. Delivery Service Provided by SYSCO

Each Operating Company will establish a delivery schedule for each Customer Location within its market area taking into consideration Customer needs and preferences and will use reasonable, good faith efforts to make on-time deliveries.

4. Information Services Provided By SYSCO

4.1 Usage Reports - SYSCO can provide Customer usage data selected from SYSCO's standard report or flat file options. Standard data is made available either on hard copy or electronically. The electronic options include EDI ANSI X.12, bulletin board, tape or diskette. Should it become necessary to develop customized reports in lieu of or in addition to the standard SYSCO reports, SYSCO will use reasonable efforts to provide such reports. Customer agrees to pay for any additional costs incurred by SYSCO for the development of any customized reports.

4.2 Direct Order Entry - If Customer desires electronic order entry, SYSCO will provide either Customer Companion software or an Internet order entry application utilizing a browser. Either option will enable the Customer Locations to directly place orders electronically with the servicing Operating Company. Any participating Customer Locations must provide, at their own cost, compatible hardware, Internet and network connections in order to utilize the above software or browser application.

4.3 Supporting Software - SYSCO has available supporting software modules that interface with the eSYSCO Order Entry System. This supporting software offers menu planning and inventory management system and can be purchased through SYSCO for a nominal fee.

4.4 Third Party Providers - Upon the Customer's written request, SYSCO will provide to an agent representing a Customer for the purpose of information analysis, order placement or processing, or supplier rebate application (a "Third Party Provider") purchasing information that is normally made available to the Customer, subject to the below listed conditions: The information will only be made available in one of SYSCO's standard electronic formats or utilizing EDI ANSI X.12 standards. All information sent by SYSCO to an authorized Third Party Provider is for the sole use of the Customer. Selling, utilizing, or disclosing such information to anyone other than the Customer is prohibited. Prior to providing any such information to any such Third Party Provider, SYSCO requires a Confidentially Agreement be in place with both the Customer and the Third Party Provider prior to transmission of data to a third party. In the event SYSCO incurs additional costs as a result of Third Party Provider requirements, such costs will be charged to either the Customer or the Third Party Provider.

5. Pricing

5.1 Definition of Cost - The price to Customer for all Products sold under this Agreement (the "Sell Price") will be calculated on the basis of Cost. Except for contract pricing noted in 5.4, "Cost" is defined as the cost of the Product as shown on the invoice to the delivering Operating Company, plus applicable freight. The invoice used to determine Cost will be the invoice issued to the delivering Operating Company by the supplier or by the Merchandising Services Department of SYSCO Corporation. Cost is not reduced by cash discounts for prompt payment available to SYSCO or the Operating Companies.

Applicable freight, in those cases where the invoice cost to the delivering Operating Company is not a delivered cost, means a reasonable freight charge to transport a Product from the Supplier (as defined below) to the Operating Company. Freight charges may include common or contract carrier charges imposed by the Product Supplier or a carrier, or charges billed by Alfmark, SYSCO's freight management service. Applicable freight for any Product will not exceed the rate charged by nationally recognized carriers operating between the same points, for the same quantity of product, and the same type of freight service.

5.2 Merchandising Services - SYSCO performs value-added services for suppliers of SYSCO(R)brand and other products (a "Supplier") over and above procurement activities typically provided. These value-added services include regional and national marketing, freight management, consolidated warehousing, distribution, quality assurance and performance-based product marketing. SYSCO may recover the costs of providing

these services and may also be compensated for these services and considers this compensation to be earned income. Receipt of such cost recovery or earned income does not reduce Cost and does not diminish SYSCO's commitment to provide competitive prices to its customers.

5.3 Sell Price

(a) Calculation of Sell Price - The Sell Price of each Product sold under this Agreement will equal the Cost of such Product divided by 100% minus the percentage margin on sell specified in Schedule 2 for such Product category, less promotional allowances reflected on invoices to the delivering Operating Company which will be passed along as a temporary reduction in the Sell Price for the term of the promotion.

For Example, a Product with a Cost of $25.00 per case, a margin on sell of 10% and a promotional allowance on the face of the invoice of $.50 per case will have a Sell Price calculated as follows:

Calculate base price from margin	$25.00 / (100%-10%)	=	$25.00 / 90%	=	$27.78
Less promotional allowance shown the invoice					(.50)
	Sell Price				$27.28

(b) Duration of Sell Price - Costs for all Products are recalculated with the following frequencies:

1) Time of sale pricing - price sensitive products with volatile fluctuations in pricing (i.e. produce and fresh seafood);

2) Weekly pricing - commodity products which reflect declines and advances in Cost on a regular basis, as determined by SYSCO (i.e. most protein products) - will be in effect for seven consecutive days;

3) Monthly pricing - fairly stable pricing for extended periods (i.e. most canned products) - will be in effect to coincide with Red Robin's fiscal monthly calendar.

Variances can occur to the Customer's invoiced price due to starting and ending dates of Supplier Agreements, as detailed in Section 6 hereof (and the timing of when "Cost" is determined).

(c) Time of Sell Price Calculation - The following schedule will be used to determine when the sell price is calculated:

1) Time of Sale Pricing - day of invoicing;

2) Weekly Pricing - Thursday of the prior week;

3) Monthly Pricing - Seven days prior to the start of Red Robin's fiscal monthly calendar.

(d) Effective Date of Sell Price - Weekly pricing will be for 7 consecutive days to be determined by the Operating Company. Monthly pricing will coincide with Red Robin's monthly fiscal calendar.

5.4 Customer Contract Pricing - In the event the Customer negotiates contract pricing directly with a Supplier, such contract cost with such Supplier will be used to calculate the Customer's Sell Price, regardless of SYSCO's Cost.

5.5 Substitutions - Should a substitution be necessary, the delivering Operating Company will ship a comparable product at a Sell Price calculated using the same methodology and margin percentage as on the original Product ordered.

5.6 Adjustment in Margins for Unanticipated Problems - If the operating costs of SYSCO or any particular Operating Company are increased as a direct result of a significant regional or national economic problem, including but not limited to fuel cost increases and power shortages, SYSCO may, with prior consent of the Customer, add a surcharge to the Customer's invoice to compensate for such increased costs.

6. Supplier Agreements - Administration and Handling

6.1 Customer will provide SYSCO with written evidence of the existence of any contractual agreements it has with any Supplier for the purchase of Products ("Supplier Agreements"), utilizing the SYSCO Supplier Detail Form (Schedule 3). Supplier Agreements include agreements for which the Supplier and Customer have agreed on off-invoice allowances for Customer ("Supplier Off-Invoice Allowances") or the guaranteed cost Supplier will charge distributor for Product to be resold to Customer ("Supplier Guaranteed Distributor Cost"). SYSCO will use the Supplier Guaranteed Distributor Cost (of which it has been notified appropriately) as the Cost of such Product when calculating its Sell Price, notwithstanding that the Cost of such Product to SYSCO otherwise varies. SYSCO will provide for a Supplier Off-Invoice Allowance for a Product by deducting such allowance value after the Sell Price of such Product is calculated in accordance with Section 5.3.

6.2 Equivalent SYSCO Branded Product. In the event Supplier is an authorized supplier of SYSCO branded Product which is the equivalent of any Products covered by a Supplier Agreement (the "Equivalent SYSCO Product"), SYSCO may provide such Equivalent SYSCO Product to Customer under the terms of such Supplier Agreement provided that (i) Customer has approved SYSCO branded Product for purchase, (ii) Supplier agrees that such Supplier Agreement terms can be applied to the equivalent SYSCO branded Product; and (iii) such equivalent SYSCO branded Product is stocked by an Operating Company servicing any Customer Location.

6.3 Effectiveness of Additional Supplier Agreements. For any Supplier Agreements which are either (i) not listed on Schedule 3 or (ii) the terms of which change from what is listed on Schedule 3 ("New Supplier Agreements"), SYSCO must be notified in writing 21 days prior to the Customer's fiscal monthly calendar in which it should become effective. Furthermore, in the event any documentation regarding the specifics of any New Supplier Agreement is incomplete, while SYSCO will make every reasonable effort to secure such necessary documentation to implement the terms and provisions of such New Supplier Agreement, if such additional documentation is not received 21 days prior to the Customer's fiscal monthly calendar, the effectiveness of the pricing and allowance terms thereof shall be delayed until the following fiscal calendar month, following receipt of such documentation.

6.4 Administrative Maintenance of Supplier Agreements. Customer agrees that SYSCO is not responsible for inaccuracies, errors or omissions made by Supplier in connection with the billing of the pricing and allowances under the Supplier Agreements and that Customer's sole and exclusive remedy for any such inaccuracies, errors or omissions shall be directly with Supplier. (For example: If the terms and provisions of a New Supplier Agreement are received by January 20th with direction to be effective as of February 1st, the effective dates of such pricing allowances will be March 1st and Customer will look only to Supplier to resolve any issues with respect to such pricing and/or allowances not being effective as of February 1st.)

6.5 Specifically Inventoried Proprietary Product - Effectiveness of Pricing Changes. For Proprietary Products which are specifically inventoried for Customer pursuant to the terms of a Supplier Agreement, Customer agrees that any changes in the Supplier Guaranteed Distributor Cost will not be effective until such time as SYSCO revalues its inventory of such Proprietary Product in accordance with its normal and customary inventory valuation procedures, unless Supplier allows SYSCO to bill back Supplier for such pricing and allowance modifications on its existing inventory at the time of such changes, in which event the pricing to Customer shall change upon the effective date of the New Supplier Agreement.

7. Price Verification

Customer will be allowed one (1) annual price verification at each delivering Operating Company for purchases made under this Agreement. The price verification will consist of reviewing computer reports documenting SYSCO's calculation of the Customer's invoice price and verification of the participating SYSCO Operating Company's delivered Cost. If requested, applicable Supplier invoices and accompanying freight invoices will also be made available. Price verification adjustments, if applicable, will be made utilizing the net of undercharges and overcharges to the Customer. The price verification process is subject to the following:

a. Customer must request a price verification in writing at least twenty (20) business days prior to the suggested date of the price verification. This request must identify the thirty (30) items to be price verified and the period covered;

b. The date and time of price verification must be to the mutual agreement of both parties;

c. The price verification will be made at the delivering Operating Company's location;

d. Support for the price verification may not be removed from the delivering Operating Company location;

e. The period for which pricing is to be verified will not begin more than twelve (12) months prior to the date of the price verification, and will cover only one pricing period.

Due to the extensive time and complexity associated with price verification, SYSCO will not permit computer generated price matching or electronic audits by or on behalf of Customers or any Third Party Provider to be used in lieu of the above price verification procedure.

8. Proprietary and Special Order Products

8.1 Definition of Special Order Products - Special Order Products are defined as products not inventoried by the SYSCO Operating Company whereby the Customer requests the Operating Company to purchase said products on the Customer's behalf.

8.2 Definition of Proprietary Products - Proprietary Products are defined as products bearing the customers name or logo or products with a unique formulation which are restricted for sale to one Customer, or national branded products that would otherwise not be inventoried except for the requirements of the Customer. Products that are produced for SYSCO under the Sysco Brand will be considered Proprietary Products when the Customer designates the product must be procured from specific suppliers.

Due to the highly perishable nature of fresh produce, SYSCO will not honor proprietary status on any fresh produce item.

8.3 Stocking of Proprietary Products - SYSCO Operating companies will stock product deemed necessary by the Customer to conduct their business successfully. However, Customer completely understands that sufficient movement is required to store proprietary items. Customer also agrees to take responsibility for depleting excessive proprietary inventory as well as any proprietary items with no movement in a timely basis.

SYSCO Operating companies will stock 21 days of inventory on all proprietary items.

8.4 Proprietary Product and Special Order Products Requirements - Proprietary Products and Special Order Products for the Customer must meet the following requirements:

a) Suppliers of Proprietary Products and Special Order Products must provide SYSCO with SYSCO's required indemnity agreement and insurance coverage;

b) Proprietary Products and Special Order Products must have a valid UPC number assigned and a scanable UPC bar code on each sellable unit;

c) SYSCO utilizes several third party warehouses throughout the nation for the purpose of efficiently redistributing products ("Redistribution Warehouses"). Any Products placed into the Redistribution Warehouses must be inventoried on a consigned basis by either the Supplier or the Customer.

8.5 Customer Responsibility for Proprietary Products and Special Order Products

a) Hold Harmless - In the event any supplier of Proprietary Products or Special Order Products does not provide SYSCO's required indemnity, Customer will defend, indemnify and hold harmless SYSCO and its employees, officers and directors from all actions, claims and proceedings, and any judgments, damages and expenses resulting therefrom, brought by any person or entity for injury, illness and/or death or for damage to property in either case arising out of the delivery, sale, resale, use or consumption of any such Proprietary Product or Special Order Product, except to the extent such claims are caused by the negligence of SYSCO, its agents or employees.

b) Minimal Movement Requirements - In the event SYSCO, at the request of the Customer, inventories Proprietary Products or Special Order Products (including without limitation, Products featured by Customer for a limited time period) at either any Operating Companies or at any Redistribution Warehouse, and there is no Product movement within 30 days of delivery to such location, Customer agrees to cause such Products to be repurchased and if desired, take possession of all such Product within 14 days following written notification from SYSCO. Products repurchased will be at SYSCO's Cost plus a reasonable transfer and warehouse handling charge not to exceed 10% of the Products Cost.

c) Food Safety and Ground Beef - Food safety is of paramount importance to SYSCO, Customer and the ultimate consumer. To that end, SYSCO has developed a set of stringent standards for the production and packaging of ground beef (the "SYSCO Ground Beef Safety Standards"). In order to adequately protect SYSCO and Customer from potential food safety issues relating to the production and packaging of ground beef and the ultimate consumer, SYSCO shall not be obligated to utilize any Supplier of ground beef which does not meet the SYSCO Ground Beef Safety Standards, a copy of which has been previously provided to Customer, whether or not the ground beef supplied by such supplier has been designated by Customer as a Proprietary Product or Special Order Product.

d) Termination - In the event of termination or expiration of this Agreement, Customer will purchase, or cause a third party to purchase, all remaining Proprietary Products and Special Order Products in SYSCO's inventory at SYSCO's Cost plus a reasonable transfer and warehouse handling charge not to exceed 10% of the Cost of such Proprietary Products or Special Order Products. In such an event, Customer will purchase or cause to be purchased all perishable Proprietary Products and Special Order Products within seven (7) days of the termination of this Agreement and all frozen and dry Proprietary Products and Special Order Products within fifteen (15) days of the termination of this Agreement, and Customer hereby guarantees payment for such Product purchased by a designated third party.

9. Credit

9.1 Net Terms - Payment is due within 28 days from the date of the invoice.

SYSCO reserves the right to modify payment terms for Customer or any company or entity which purchases Products under this Agreement as a franchisee or member of a group purchasing organization, in SYSCO's sole judgement, if any such entity's financial condition materially deteriorates or SYSCO becomes aware of circumstances that may materially and adversely impact such entity's ability to meet its financial obligations when due.

SYSCO will give Customer a (30) day written notice of a material default with thirty (30) days to cure within such thirty (30) day period.

Franchisee Customers which are franchisees or members of group purchasing organizations will normally be offered the standard credit terms offered hereunder. However, at the sole discretion of the servicing SYSCO Operating Company and based on the credit worthiness of the individual Customer Location (or the entity which owns or operates such Customer Location), terms other than that stated in this Agreement may be applied.

9.2 Set Off - SYSCO's rights of set off and recoupment are recognized by Customer and preserved in all respects.

9.3 Service Charge; Collection Fees - If invoices are not paid when due, a service charge will be assessed to Customer, up to the maximum amount permitted by law. Unpaid invoice balances and service charges due to SYSCO will be deducted from any credits due to Customer. Customer shall pay all costs and expenses (including reasonable attorney's fees) SYSCO incurs in enforcing its rights under this Agreement including, without limitation, its right to payment for Product sold to Customer.

9.4 Applications - Customer (and each Customer franchisee and member of Customer's group purchasing organization) will complete, execute and deliver a new account form to SYSCO before this Agreement becomes binding upon SYSCO.

9.5 Financial Information - The continuing creditworthiness of Customer is of central importance to SYSCO. In order to enable SYSCO to monitor Customer's financial condition and if requested by SYSCO, Customer will supply quarterly and annual financial statements to SYSCO consisting of an income statement, balance sheet and statement of cash flow. SYSCO may request such further financial information from Customer from time to time, sufficient, in SYSCO's judgment, to enable SYSCO to accurately assess Customer's financial condition.

9.6 Delivery Stoppage - In the event Customer, or any company or entity which purchases Products under this Agreement as a Customer franchisee or a member of Customer's group purchasing organization, fails to make payment when due, SYSCO or any participating Operating Company to which such payment is due may immediately cease shipment of any Products to Customer or other participating entity until the outstanding receivable balance is fully within terms.

10. Term

The term of this Agreement will begin on May 21, 2001, and will end at 5:00 p.m. Houston time on June 30, 2004.

11. Termination

This Agreement may be terminated prior to its ending date for the following:

(a) By either party for failure of the other party to comply with any material provision of this Agreement within sixty (60) days of such party's receipt of written notice describing said failure;

(b) By SYSCO immediately upon written notice to Customer if Customer's financial position deteriorates materially, determined by SYSCO in its sole judgment; or SYSCO becomes aware of any circumstances that, in SYSCO's sole judgement, materially impacts Customer's ability to meet its financial obligation when due;

(c) By SYSCO with respect to any Customer franchisee or a member of Customer's group purchasing organization, immediately upon written notice to such entity if its financial position deteriorates materially, determined by SYSCO in its sole judgment; or SYSCO becomes aware of any circumstances that, in SYSCO's sole judgment, materially impacts such entity's ability to meet its financial obligations when due;

(d) By SYSCO, if Customer (or any Customer franchisee or member of Customer's group purchasing organization) fails to meet its stated operational representations set out in Schedule 5. The margin schedule submitted is based on the Customer's operational representations concerning its service needs as stated in Schedule 2 including, but not limited to its anticipated purchase volumes, drop sizes, Product mix, location of Customer Locations, number of deliveries, information services/technology requirements, and number of Proprietary Products and Special Order Products as well as Customer's compliance with the payment and other obligations specified in this Agreement. If SYSCO determines at any time or times after ninety (90) days from the date of this Agreement that Customer (or any Customer franchisee or member of Customer's group purchasing organization) requires service which varies materially from the levels contemplated in Customer's representations made to SYSCO in negotiating this Agreement, SYSCO reserves the right to request an increase on the margin specified. SYSCO shall give written notice to Customer (or any Customer franchisee or member of Customer's group purchasing organization) of the proposed increase in the margin. If the parties are unable to agree on such an increase within 30 days after the date of the notice of such increase and Customer's (or any Customer franchisee or member of Customer's group purchasing organization) service requirements and/or contract compliance continues to vary from that contemplated or required by this Agreement, SYSCO may terminate this Agreement on thirty (30) days written notice to Customer (or any Customer franchisee or member of Customer's group purchasing organization).

Upon termination, Customer (or any Customer franchisee or member of Customer's group purchasing organization) agrees to fully comply with all of its obligations under this Agreement, including, without limitation to pay all invoices at the earlier of 1) the time they are due or 2) two weeks from the date of the last shipment to a Customer Location.

12. Arbitration and Waiver of Jury Trial Right

12.1 Arbitration - All actions, disputes, claims or controversy of any kind now existing or hereafter arising between the parties to this Agreement, including, but not limited to any action, dispute, claim or controversy arising out of this Agreement or the delivery by SYSCO of any Products to Customer (a "Dispute") shall be resolved by binding arbitration in Houston, in accordance with the Commercial Arbitration Rules of the American Arbitration Association and, to the maximum extent applicable, the Federal Arbitration Act. Arbitrations shall be conducted before one arbitrator mutually agreeable to Customer and SYSCO. If the parties cannot agree on an arbitrator within thirty (30) days after the request for an arbitration, then each party will select an arbitrator and the two arbitrators will select upon a third. Judgment of any award rendered by an arbitrator may be entered in any court having jurisdiction. All fees of the arbitrator and other costs and expenses of the arbitration shall be paid by SYSCO and Customer equally unless otherwise awarded by the arbitrator; provided, however, that the non-prevailing party in an arbitration shall pay all reasonable attorneys' fees and expenses incurred by the prevailing party in connection with the Dispute and the arbitration.

12.2 Waiver of Jury Trial Right - Customer affirmatively waives its right to jury trial with respect to any disputes, claims or controversies of any kind whatsoever; Customer having submitted to arbitration any of such disputes, claims or controversies as set out above.

13. Perishable Agricultural Commodities

This Agreement may cover sales of "perishable agricultural commodities" as those terms are defined by federal law. Generally, all fresh and frozen fruits and vegetables which have not been processed beyond cutting, combining, and/or steam blanching are considered perishable agricultural commodities as are oil blanched french fried potato products. All perishable agricultural commodities sold under this Agreement are sold subject to the statutory trust authorized by Section 5(c) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499e(c)). The seller of these commodities retains a trust claim over these commodities and all inventories of food or other products derived from these commodities until full payment is received.

14. Miscellaneous

14.1 Assignment - Neither party may assign this Agreement without the prior written consent of the other party provided that SYSCO may utilize its Operating Companies to perform as indicated in this Agreement. Subject to this limitation, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of each of the parties.

14.2 Entire Agreement - The parties expressly acknowledge that this Agreement contains the entire agreement of the parties with respect to the relationship specified in this Agreement and supersedes any prior arrangements or understandings between the parties with respect to such relationship.

14.3 Amendments - This Agreement may only be amended by a written document signed by each of the parties.

14.4 Notices - Any written notice called for in this Agreement may be given by personal delivery, certified mail, overnight delivery service or confirmed facsimile transmission. Notices given by personal delivery will be effective on delivery; by overnight service on the next business day; by first class mail five business days after mailing; and by facsimile when an answer back confirming receipt by the recipient's facsimile machine is received. The address of each party is set forth below.

14.5 Donations - Due to the extreme competitiveness of this contract, SYSCO will be unable to offer donations in either free goods, cash, or use of SYSCO owned equipment.

Executed as of the date set forth at the beginning of this Agreement.

SYSCO CORPORATION

20701 East Currier Road Walnut, CA 91789 Attention: Debbie Martin, Regional V.P., Multi-Unit Sales Telephone: (909) 598-7883 Facsimile: (909) 594-0565	By: /s/ DEBBIE MARTIN Debbie Martin Regional Vice President, Multi Unit Sales Date:______________________________

Copy to:

SYSCO Corporation
1390 Enclave Parkway
Houston, Texas 77077-2099
Attention: Operations Review
Telephone: (281) 584-1390
Facsimile: (281) 584-1744

RED ROBIN INTERNATIONAL, INC.

5575 DTC Parkway, #110 Englewood, CO 80111 Attention: Ray Masters Telephone: (303) 846-6029 Facsimile: (303) 846-6044	By: /s/ RAY MASTERS Ray Masters Vice President, Purchasing Date: 5-22-01

MASTER DISTRIBUTION AGREEMENT

Schedule Index

SCHEDULE 1
TO
MASTER DISTRIBUTION AGREEMENT

Operating Companies and Participating Customer Locations
as of Contract Date

RED ROBIN LOCATIONS HISTORY

<TABLE>
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Highlighted are Franchise restaurants

```
SYSCO Albuquerque        Rest Name           Address                  City          ST  ZIP     Phone          FAX
OWNER
601 Comanche NE          -------------------------------------------------------------------------------------------
----------------
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Albuquerque NM 97107     222  Cottonwood M   10009 Coors Blvd         Albuquerque   NM 87114
Mach Robin
(806)###-##-####         -------------------------------------------------------------------------------------------
----------------
President: Keith Miller

                         ------------------------------------------------------------------------------------------
-----------------
SYSCO Arizona            Rest Name           Address                  City          ST  ZIP       Phone
FAX       OWNER
611 South 80th Avenue    -------------------------------------------------------------------------------------------
----------------
Phoenix AZ 85043         115 Pima/Shea       8970 East Shea Blvd      Scottsdale    AZ 85260   602-661-7114  602-
602-7466 Company
(802)936-9920            -------------------------------------------------------------------------------------------
----------------
President: Michael       148 Sahara          2575 S Decatur Blvd      Las Vegas     NV 89102   702-364-1858  702-
367-1941 Company
           Dickson      --------------------------------------------------------------------------------------------
----------------
                         152 Sunset Galleria 1300 W Sunset Rd # 2545  Henderson     NV 89014   702-547-1777  702-
547-2253 Company
                        -------------------------------------------------------------------------------------------
-----------------
                         301 Tucson          4500 N Oracle Road       Tucson        AZ 85705   520-292-0888  520-
888-8502 Tucson

Robinson,

Inc.
                        -------------------------------------------------------------------------------------------
-----------------
                         302 Glendale        3850 W Bell Road         Glendale      AZ 85300   602-978-3826  602-
978-3857  BBIG,

Inc.
                        -------------------------------------------------------------------------------------------
-----------------
                         303 Tempe           1375 W Elliot            Tempe         AZ 85284   602-940-9900  602-
940-9275 Tucson

Robinson,

Inc.
                        -------------------------------------------------------------------------------------------
-----------------
                         304 Mesa            1355 W Southern          Mesa          AZ 85210   602-890-0652  602-
890-9118  BBIG,

Inc.
                        -------------------------------------------------------------------------------------------
-----------------
                         305 Lake            70 Swanson Blvd          Lake          AZ 86403   520-855-5555  520-
555-5455 Arizona
                                                                      City
Food Line,

Inc.
                        -------------------------------------------------------------------------------------------
-----------------
                         400 Las Vegas       151 N.      Blvd         Las Vegas     NV 89110   702-453-8611  702-
453-7811 Company
                         ------------------------------------------------------------------------------------------
-----------------

                         ------------------------------------------------------------------------------------------
-----------------
SYSCO Central            Rest Name           Address                  City          ST  ZIP       Phone
FAX       OWNER
Pennsylvania             -------------------------------------------------------------------------------------------
----------------
Corey Road               103 Fairlakes       13056 Fair Lakes Shop Ctr Fairfax      VA 22033   703-502-0334  703-
502-8934 Company
Union Square Industrial  -------------------------------------------------------------------------------------------
----------------
Park                     105 Oxford Valley   610 Middletown Blvd      Langhome      PA 19047   215-752-1000  215-
752-1047 Company
Harrisburg, PA 17109    --------------------------------------------------------------------------------------------
----------------
```

(717) 11 Potomac Mills 14090 Worth Avenue Woodridge VA 22192 703-492-6900 703-
492-6116 Company
President: Thomas

Russell 144 Owings Mills 4 Restaurant Park Drive Owings Mills MD 21117 443-394-0999 443-
394-5710 Company
----
153 Glen Allen 10057 Brook Rd Glen Allen VA 23059 804-261-2222 804-
261-2491 Company
----
157 Charlottesville 1533 Rio Rd East Charlottes-ville NC 22901 804-965-9523 804-
965-1574 Company
----
325 Allentown 4255 A Broadway Allentown PA 18104 610-366-1776 610-
633-9667 Lehigh Valley Restaurant Group
----
326 North Hampton 3715 Easton-Nazareth Hwy Easton PA 18045 610-515-1111 610-
515-1812 Lehigh Valley Restaurant Group
----
327 Hershey 621 Park Ave Hershey PA 17033 717-520-1776 717-
520-1777 Lehigh Valley Restaurant Group
----
328 Exton 600 W Uwchian Ave Exton PA 19341 610-363-5995 610-
363-1073 Lehigh Valley Restaurant Group

SYSCO Chicago 260 Wieboldt Drive Des Plaines, IL 60016-3192 (847)899-5400 President: Chuck Staes	Rest Name	Address	City	ST ZIP	Phone	FAX	OWNER
	120 Schaumburg	120 K Woodfield Mall	Schaumburg	IL 60173	847-517-4476		Mach Robin LLC

SYSCO Cincinnati 10610 Evandale Drive Cincinnati, OH 45241 (613)683-6300 President: Joseph Calabrese	Rest Name	Address	City	ST ZIP	Phone	FAX	OWNER
	430 Crosswoods	7520 Highcross Blvd	Columbus	OH 43235	614-430-0100	614-430-0277	Midwest Robin, LLC
	431 Easton Market	3977 Morse Crossing	Easton	OH 43219	614-475-5200	614-	

475-6159 Midwest

Robin, LLC

SYSCO Cleveland   Rest Name   Address   City   ST ZIP   Phone
FAX   OWNER
22801 Aurora Road   --

Bedford Heights,   104 Lecamessler   4949 Great Northern Blvd North   OH 44070   216-734-6070 206-
734-6579 Lecamess-
OH, 44146   Olmstead
ler, LLC
(216)587-0200   --

President: Richard Rose   601 Lecamessler   6522 Strip Avenue   Canton   OH 44720   330-305-1080 330-
305-1781 Lecamess-

ler, LLC

SYSCO Dallas   Rest Name   Address   City   ST ZIP   Phone
FAX   NOTES
14330 Gillis Road   --

Dallas, TX 75244   114 Grapevine   1701 William D. Tate Ave Grapevine   TX 76051   817-481-6335 817-
251-1524 2RT5/3/99
(972)233-0700   --

President: Ivan Moore
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SYSCO Houston   Rest Name   Address   City   ST   Zip   Phone   FAX
OWNER
635 Portwall Street   --

Houston, TX 77220   Mary E   7620 Katy Freeway   Houston   TX   77024
2RT,LC
(713) 672-8080   --

President: Larry
Pulliam

SYSCO Idaho   Rest Name   Address   City   ST   Zip   Phone   FAX
OWNER
6710 Pan Am Avenue   --

Bolso, ID 83705   202 Park Center 211 W Parkcenter Blvd   Boise   ID   83705 208-344-7472 208-344-9687
Mach Robin
(208)   --

President: Tom   220 Westpark   267 N Milwaukee   Boise   ID   83704 208-323-0023 208-323-1367
Mach Robin
Morgan   --
----
221 Nampa   2222 Cassla Rd   Nampa   ID   83686 208-463-0289 208-463-
0289 Mach Robin

SYSCO Indianapolis   Rest Name   Address   City   ST   Zip   Phone   FAX
OWNER
4000 W 62nd St   --

Indianapolis IN 46268   352 Glenbrook   4201 Cold Water Creek   Ft. Wayne   IN   46805 219-484-9888 219-373-2886
Company

(801) 972-5484
President: Walter Mills

Rest	Name	Address	City	ST	Zip	Phone	FAX	OWNER
	Square							
353	Glenbrook Square	6020 E 82nd St	Indianapolis	IN	46250	317-579-1800	317-579-0664	Company

SYSCO Intermountain
1669 South Industrial Road
Salt Lake City, UT 84104
(801) 972-5484
President: Thomas Kesteloot

Rest	Name	Address	City	ST	Zip	Phone	FAX	OWNER
410	Murray	316 E Winchester Blvd	Murray	UT	84107	801-266-9410	801-265-5843	Rockin' Robin
412	Layton Hills	1562 N Woodland Park Dr	Layton	UT	84011	801-644-7989	801-265-8843	Rockin' Robin
414	West Valley	3601 S 2700 West #B152	West Valley	UT	84119	801-964-2354	801-964-2392	Rockin' Robin
416	Provo	1200 Town Ctr Blvd, #1100	Provo	UT	84801	801-652-8093	801-852-8096	Rockin' Robin

SYSCO/Konings
1346 Kingsway Avenue
Port Coquitlam, BC
(604) 944-4410
President: Hans Konings

Rest	Name	Address	City	ST	Zip	Phone	FAX	OWNER
270	Red Robin Restaurants of Canada	9628 Cameron Street	Burnby, BC	CAN	V3J 1M2	604-421-7266	604-421-7255	Burnsby
272	Red Robin Restaurants of Canada	801 Marine Drive	N. Vancouver, BC	CAN	V7R 3K6	604-984-4464	604-985-4947	Capilano
273	Red Robin Restaurants of Canada	752 Thurlow Street #200	Vancouver, BC	CAN	V6E 1A3	604-662-8288	604-662-6279	Carlyle
274	Red Robin Restaurants of Canada	4211 106th Street	Edmonton, AB	CAN	T8J 0L7	780-438-2473	780-438-8804	Whitemud
275	Red Robin Restaurants of Canada	4640 Kingsway #112	Burnby, BC	CAN	V5H 2B9	604-439-7696	604-439-7674	Metrotown
276	Red Robin Restaurants of Canada	800 Tomie Street	Victoria, BC	CAN	V8X 3W4	260-366-4440	250-388-5987	Victoria
277	Red Robin Restaurants of Canada	9727 Macleod Trail SW	Calgary, AB	CAN	T2J 0P6	403-259-3916	403-259-3988	Mac Leod Trail

West Edmonton	278	Red Robin Restaurants of Canada	10010 171st Street	W. Edmonton, AB	CAN T5S 1B5	780-484-6735	780-483-0904
Coquitlam	279	Red Robin Restaurants of Canada	3000 Lougheed Highway	Coquitlam, BC	CAN V3B 1C5	604-491-6650	604-941-6662
Longstreet	280	Red Robin Restaurants of Canada	11215 104th Avenue	Edmonton, AB	CAN T5K 2S1	780-424-9363	780-424-9450
Kensington	281	Red Robin Restaurants of Canada	1110 Memoral Drive NW	Calgary, AB	CAN T2N 3E3	403-283-9600	403-283-9678
Broadway	283	Red Robin Restaurants of Canada	1001 W Broadway	Vancouver, BC	CAN V8H 4B1	604-733-6494	604-733-6499
Langley	284	Red Robin Restaurants of Canada	6141 200th Street	Langley, BC	CAN V2Y 1A2	604-530-4484	604-530-4499
Kelowna	285	Red Robin Restaurants of Canada	1920 Cooper Road	Kelowna, BC	CAN V1Y 8K5	250-762-9700	250-762-9715
Maple Ridge	286	Red Robin Restaurants of Canada	22701 Lougheed Highway	Maple Ridge, BC	CAN V2X 8K2	604-467-6266	604-467-6680
Abbortsford	287	Red Robin Restaurants of Canada	33011 South Free Way	Abbortsford, BC	CAN V2S 2A6	604-853-8185	604-853-2029
Guildford	288	Red Robin Restaurants of Canada	10237 152nd Street	Surrey, BC	CAN V3R 4G8	604-930-2416	604-930-2402
Newton	289	Red Robin Restaurants of Canada	8007 488 King George Hwy	Surrey, BC	CAN V3W 0H9	604-594-6637	604-594-6854
Clareview	290	Red Robin Restaurants of Canada	4970 137th Ave	Edmonton, AB	CAN T5Y 2V4	780-614-0800	780-472-8008
Parkwood	291	Red Robin Restaurants of Canada	101 1600 15th Ave	Prince George, BC	CAN V2L 3X3	250-614-0800	250-614-0084
Sunridge	292	Red Robin Restaurants of Canada	3575 20th Ave NE	Calgary, AB	CAN T1Y 6R3	403-293-4047	403-293-7030

SYSCO Los Angeles OWNER	Rest	Name	Address	City	ST	Zip	Phone	FAX
20701 E. Currier Road Walnut, CA 91789 Company	21	Santa Ana	1307 W. Sunflower	Santa Ana	CA	92704	714-432-1111	714-732-0141
(909) 695-?595 President: Bruce Company	24	Galleria	1615 Hawthorne Blvd	Redondo Beach	CA	90278	310-642-2488	310-214-2987
Schwartz Company	33	Carritos	360 Carritos	Los Cerritos	CA	90701	310-402-7333	310-402-7977
Company	46	Orange	2199 North Orange Mall	Orange	CA	92665	714-974-9888	714-974- 3719
Company	46	San Dimas	565 W. Arrow Highway	San Dimas	CA	91773	909-592-7009	909-592-1668
Company	47	Brea	1080 Brea Mall	Brea	CA	92621	714-529-6766	714-529- 6574
Company	63	Tustin	3015 E Camino Rea	Tustin	CA	92680	714-544-2060	714-544- 3125
Company	68	La Habra	1631 W, Imperial Hwy	La Habra	CA	90633	310-694-1685	310-697-6029
Company	68	Stanton	12697 Beach Blvd	Stanton	CA	90680	714-373-1767	714-890- 1767

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L.A. Cont. Company	71	Victorville	12409 Mariposa	Victorville	CA	92393	619-955-6555	619-955-6560
Company	89	Corona	419 McKinley Street	Corona	CA	91719	909-737-1130	909-737-7715
Company	146	Garden Grove	12007 Harbor Blv	Corona	CA	91719	909-737-1130	909-737-7715
Company	160	West Covina	428 Plaza Dr	West Covina	CA	91790	626-814-3318	626-814-3369
Top Robin Ventures, Inc.	235	Calabasas	24005 Calabasas Rd	Calabasas	CA	91302	818-223-8112	818-223-6511
Top Robin Ventures, Inc.	236	Santa Barbara	3825 State Street	Santa Barbara	CA	93105	805-687-4000	805-682-4586
Top Robin	238	Topanga	6600 Topanga Cyn	Canoga Park	CA	91303	818-883-1060	818-883-0054

Owner	Rest	Name	Address	City	ST	ZIP	Phone	FAX
Ventures, Inc.			#49H					
Top Robin Ventures, Inc.	241	Palmdale	1233 West Ave, P, #301	Palmdale	CA	93551	805-274-1773	805-274-2073
Top Robin Ventures, Inc.	242	Glendale	1187 Glendale Galleria	Glendale	CA	91210	818-551-0191	818-551-0195
Top Robin Ventures, Inc.	246	Valencia	24204 Valencia Blvd, #1351	Valencia	CA	91355	805-260-2411	805-260-2414
La Mirada Restaurant Group	420	La Mirada	14299 Firestone Blvd	La Mirada	CA	90638	714-739-8500	714-523-9886

Miesel-SYSCO
41600 Van Born Road
Canton, MI 48188
(313) 397-7990
President: Michael Green

OWNER	Rest	Name	Address	City	ST	ZIP	Phone	FAX
Red Robin of Michigan	376	Novi Town Center	43250 Crescent Blvd	Novi	MI	48375	810-349-3220	810-349-2912
Red Robin of Michigan	377	Westland	36350 West Warme Avenue	Westland	MI	48185	313-421-4081	313-421-4274
Red Robin of Michigan	378	Southgate	15777 Eureka Road	Southgate	MI	4895	734-285-0009	734-285-3777
Red Robin of Michigan	379	Madison Heights	31805 John R	Madison Heights	MI	48071	248-577-5870	248-577-5873
Red Robin of Michigan	380	Roseville	32051 Gratlot	Roseville	MI	48066	810-285-9993	810-285-9996

SYSCO Minnesota
2400 County Rd J
St. Paul, MN 55112
(612)785-9000
President: Phil Selpp

OWNER	Rest	Name	Address	City	ST	ZIP	Phone	FAX
Le Carnassier	620	Eagan	1230 Town Centre Dr	Eagan	MN	55122		
Le Carnassier	631	Apple Valley	15560 Cedar Ave	Apple Valley	MN	55124	952-997-6250	952-431-3479

SYSCO Modesto
136 South Mariposa Road
Modesto, CA 95354
(203) 627-7700
President: John Torza

OWNER	Rest	Name	Address	City	ST	ZIP	Phone	FAX
Company	70	Redding	1045 Dana Drive	Redding	CA	96003	916-222-5999	916-222-8161
Company	78	Yuba City	1200 Colusa Ave	Yuba City	CA	95991	916-751-1012	916-751-1121
Company	82	Folsum	1011 Riley Street	Folsum	CA	95630	916-983-1773	916-983-1373
Company	90	Citrus Heights	7990 Greenback Lane, Unit J	Citrus Heights	CA	95610	916-726-7792	916-726-7770
Company	354	Solano Mall	1350 Travis Blvd., Suite 1532-A	Fairfield	CA	94533	707-429-4525	
Western Franchise Development	191	New Park Mall	1031 New Park Mall	Newark	CA	94580	510-791-2644	510-791-3388
Western Franchise Development	192	Sun Valley Mall	404-A Sun Vally Mall	Concord	CA	94520	510-571-9315	510-571-0789
Western Franchise Development	193	San Bruno	1274 El Camino Real	San Bruno	CA	94066	415-588-4500	415-588-4984
Western Franchise Development	194	Eastridge	398 Eastridge Mall A-10	San Jose	CA	95122	408-223-1000	408-223-1013
Western Franchise Development	195	Pleasanton	4503 Rosewood Drive	Pleasanton	CA	94588	925-225-1755	925-224-8033
Western Franchise Development	196	San Mateo	2204 Bridgepointe Pkwy	San Mateo	CA	94402	650-571-5500	650-570-2854
Top Robin Ventures, Inc.	237	Coalinga	Interstate 5 & 198	Coalinga	CA	93210	209-935-2096	209-935-5156
Top Robin Ventures, Inc.	239	Clovis	950 Shaw Ave	Clovis	CA	93612	559-299-4500	559-299-3487

Top Robin Ventures, Inc.	240	Manchester Central	1901 E. Shields #110	Fresno	CA	92736	209-222-4500	209-222-4833
Top Robin Ventures, Inc.	244	Bakersfield	2701 Ming Ave #Q15	Bakersfield	CA	93304	805-398-9794	805-398-3136
Top Robin Ventures, Inc.	245	Visalia	2015 S. Mooney Blvd #505	Visalia	CA	93277	209-740-4060	209-740-4067
Mach Robin	401	Reno	4000 Kletzke Lane	Reno	NV	89502	702-825-7246	702-825-8827

SYSCO Montana 1509 Monad Road Billings, MT 59101 (406) 247-1100 OWNER	Rest	Name	Address	City	ST	ZIP	Phone	FAX
JMJ Management Corp. President: Patrick Burton	232	Billings	1603 Grand Ave #1	Billings	MT	59102	405-248-7778	405-245-6625

Nobel/SYSCO Denver 1101 West 48th Avenue Denver, CO 80217 (303) 458-4000 OWNER	Rest	Name	Address	City	ST	ZIP	Phone	FAX
Company President: Chris DeWitt	015	Broadmoor	2230 Southgate Rd	Colorado Springs	CO	80906	719-447-8810	719-447-8611
Company	020	Flatirons	1 West Flatirons Circle	Broomfield	CO	80021	303-464-0451	303-464-1347
Company	203	Lakewood	3333 S Wadsworth #8	Lakewood	CO	80227	303-989-8448	303-980-8094
Company	204	Arvada	7460 W. 52nd Ave	Arvada	CO	80002	303-431-6330	303-431-6544
Company	205	Citadel	3680 Citadel Drive N.	Colorado Springs	CO	80919	303-597-2473	303-597-2773
Company	206	Arapahoe	8585 E. Arapahoe Road	Englewood	CO	80111	303-771-3350	303-771-2117
Company	207	Chapel Hills	1410 Jamboree Drive	Colorado Springs	CO	80919	303-598-2473	303-598-2156
Company	208	Havana	1491 South Havana	Aurora	CO	80012	303-671-7055	303-671-8331

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	Rest	Name	Address	City	ST	ZIP	Phone	Fax
OWNER Denver Con't 4755 Company	209	Fort Collins	701 E Harmony Road	Fort Collins	CO	60252	303-223-0111	303-223-
6863 Company	210	Highlands	7700 West Long Drive	Littleton	CO	80123	303-904-2055	303-470-
2897 Company	211	Bowles	63 West Centennial Blvd	Highlands Ranch	CO	80126	303-904-2055	303-904-
6200 Company	212	Park Meadows	8355 So. Park Meadows Drive	Littleton	CO	80124	303-889-9600	303-843-
2591 Company	213	Boulder	2580 Arapahoe Ave	Boulder	CO	80302	303-442-0320	303-442-

SYSCO Portland	Rest	Name	Address	City	ST	ZIP	Phone	Fax
OWNER PO Box 527								
Wilsonville OR 97070 8208 Company (503) 682-8700	11	University	Furthman Ave East	Seattle	WA	98102	206-323-0918	206-325-
President 9513 Company Mike McLoughlin	12	Northgate	138 Northgate Plaza	Seattle	WA	98125	206-365-0933	206-361-
0366 Company	17	Aldenwood	18410 33rd Ace	Lynwood	WA	98036	206-771-6492	206-775-
3726 Company	19	Redman/Overlake	2390 148th Ave NE	Redmond	WA	98052	206-641-3810	206-643-
1899 Company	41	Beaverton	4105 SW 117th Ste F	Beaverton	OR	97005	503-641-3784	503-628-
0994 Company	43	Cleokemas	12530 SE 93rd St	Clekamas	OR	97015	503-659-1048	503-659-
5899 Company	44	Everett	1305 SE Everett Mall Way	Everett	WA	98208	206-355-7330	206-355-
5009 Company	51	Salem	3760 Center St NE	Salem	OR	97301	503-362-9666	503-581-
9587 Company	56	Eugene	1221 Executive Parkway	Eugene	OR	97401	541-484-9588	541-484-
3428 Company	72	Spokane	9904 N Newport Hwy	Spokane	WA	99216	509-467-3382	506-467-
0349 Company	81	Hillsboro	2405 SE Tualatin	Hillsboro	OR	97123	503-548-1515	503-681-
9820 Company	83	Bellevue	11021 NE 8th Street	Bellevue	WA	98004	206-453-9522	206-453-
Company	87	Tanasbourne	2660 NW 185th Ave	Hillsboro	OR	97124	503-690-9061	

9254 Company	92	Lloyd Center	1139 NE Grand Avenue	Portland	OR	97232	503-231-9223	503-231-
7964 Company	100	Pier 55	1101 Alaska Way	Seattle	WA	98101	206-623-1942	206-457-
Company	108	Issaquah	1065 Lake Drive	Issaquah	WA	96027	206-313-0950	
6022 Company	133	Woodinville	18029 178th Place	Woodinville	WA	98072	425-488-6300	425-481-
0666 Company	134	Redmond TC	7597 170th Ave NE	Redmond	WA	98052	425-895-1870	425-376-
1695 Company	135	Spokane Valley	14736 E. Indiana Ave.	Spokane	WA	99220	509-921-1634	509-921-
3495 Company	142	Willsonville	8403 Main Street	Willsonville	OR	97070	503-682-0175	509-882-
3985 Company	147	Factoria	3909 Factoria Blvd SE	Bellevue	WA	98008	425-641-3989	425-641-
5125 Company	151	Spokane	725 W. Main	Spokane	WA	99201	509-838-6260	509-838-
8053 South Sound Red Robin, Inc	161	South Sound Red Robin, Inc.	3901 S. Steele St.	Tacoma	WA	96188	208-473-7447	206-473-
8150 South Sound Red Robin, Inc	162	South Sound Red Robin, Inc.	8311 NE Vancouver Main Rd	Vancouver	WA	98882	208-892-1121	208-473-
4170 South Sound Red Robin, Inc	163	South Sound Red Robin, Inc.	2233 S 320th Street	Fed Way	WA	98003	206-698-6848	208-898-
4170 South Sound Red Robin, Inc	164	South Sound Red Robin, Inc.	1045 Silverdale Way, NW	Silverdale	WA	98363	206-698-4822	206-898-
9581 South Sound Red Robin, Inc	165	South Sound Red Robin, Inc.	600 Cooper Point Rd NW	Olympia	WA	98502	208-754-9820	208-754-
7360 South Sound Red Robin, Inc	166	South Sound Red Robin, Inc.	28207 104th Ave SE	Kerit	WA	98031	208-850-8101	208-850-

South Sound Red Robin, Inc	167	South Sound Red Robin, Inc.	3609 9th Street	Puyallup	WA	98371		
South Sound Red Robin, Inc	168	South Sound Red Robin, Inc.	22705 Martine Drive	Des Molner	WA	98198		
9998 Zanner Hubert, Inc.	170	Zanner Hubert, Inc.	100 West Telegraphy	Bellingham	WA	98228	20-734-9991	206-734-
Zanner Hubert, Inc.	171	Zanner Hubert, Inc.	1075 Burtington	Burtington	WA	98233	206-757-8548	
1257 South Sound Red Robin, Inc.	200	South Sound Red Robin, Inc.	17300 Southcenter Pkwy	Tukwiler	WA	98188	208875-8382	208-575-
0507 Company	201	Richard	924 George Washington Bl	Richland	WA	99352	509-943-8484	509-943-
0993 Company	230	Yakims	2706 Nob Hill Road	Yakima	WA	98902	208-575-1575	509-575-
Company	231	Kennewick	1021 N. Columbia Ctr Blvd	Kannewick	WA	99336	209-736-6008	
1357 Stougard Safari Burgers, Inc.	233	Stoupard Safari Burgers, Inc.	????	Ellensburg	WA	98925	509-925-9898	509-925-
4057 Gourmet Ventures	250	Gourmet Ventures	3401 Penland Parkway	Anchorage	AK	99508	907-925-7788	907-276-
4324 Gourmet Ventures	251	Gourmet Ventures	401 E Diamond Bld	Anchorage	AK	99515	907-822-4321	907-522-
4547 TBA	181	Medford	49 Medfordtown	Medford	OR	97604	541-772-7777	541-779-
1616 Gourmet Ventures	282	Midtown	4140 B Street	Arohotage	AK	99515	907-563-1616	907-563-
OWNER	Rest	Name	Address	City	ST	ZIP	Phone	FAX
	701	Memphis	5848 Winchester Rd	Memphis	TN	38118	901-365-2151	901-385-

2191 Exquizite

Dining

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SYSCO San Diego	Rest	Name	Address	City	ST	ZIP	PHONE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
12180 Kirkham Road	31	Encinitas	294 North El Camino Real	Encinitas	CA	92024	619-436-4488
POWAY, CA 92064	33	Escondido	200 East Via Rancho Pky	Escondido	CA	92025	619-747-7112
	66	Del Mar	12865 El Camino Real	San Diego	CA	92130	619-793-0445
President: Rich Friedlen	85	Moreno Valley	12625 Freederick #M	Moreno Valley	CA	92553	909-853-7975
	158	Promenade Mall	40820 Winchester Rd #1070	Temecula	CA	92591	909-296-1667
	243	La Quinta	78-722 Highway 11	La Quinta	CA	92253	619-777-1111

<CAPTION>

SYSCO San Diego	FAX	OWNER
<S>	<C>	<C>
12180 Kirkham Road	619-436-5714	Company
POWAY, CA 92064	619-747-0132	Company
	619-793-7779	Company
President Rich Friedlen	909-653-6401	Company
	909-296-1669	Company
	619-564-1554	Top-Robin

</TABLE>

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SYSCO St. Louis	Rest	Name	Address	City	ST	ZIP
<S>	<C>		<C>	<C>	<C>	<C>
Mueller Rd	615	Chesterfield Common	7308 Chesterfield Airport Rd	Chesterfield	MO	63005

St. Charles MO 63301-6042
President Jerry Barash

<CAPTION>

SYSCO St. Louis	Phone	FAX	OWNER
<S>	<C>	<C>	<C>
Mueller Rd			
	636-532-2925		Le Camassier

St. Charles MO 63301-8042
President: Jerry Barash

</TABLE>

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SYSCO W. Coast Florida	Rest	Name	Address	City	ST	ZIP	PHONE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PO Box 1911	647	Bonita Springs	25101 Temimi Trail	Bonita Springs	FL	34135	941-390-9230
Palmetto FL. 34220-1911							
President: Carl Cannova							

<CAPTION>

SYSCO W. Coast Florida	FAX	NOTES
<S>	<C>	<C>
PO Box 1911	941-390-9233	Le Camassier
Palmetto FL. 34220-1911		
President: Carl Cannova		

</TABLE>

SCHEDULE 2
TO
MASTER DISTRIBUTION AGREEMENT

CUSTOMER MARGINS

Product Category	Margin
1. Healthcare	***
2. Dairy Products	***
Exception: Cheddar Cheese	***
All other Cheeses	***
3. Meats	***
Exception: Hamburger	***
4. Seafood (fresh & frozen)	***
5. Poultry (CVP & frozen)	***
6. Frozen/Refrigerated Foods	***
Exception: Fries 30# Case	***
36# Case	***
7. Canned & Dry	***
Exception: Coke Products	National Contract
Dr. Pepper/7-UP	National Contract
8. Paper & Disposables	***
9. Chemical/Janitorial (supplies & cleaning)	***
Exception: Ecolab	National Contract
10. Supplies & Equipment	***
11. Dispenser Beverage	***
12. Produce	***

The SYSCO Corporation owns several specialty meat operations and manages a line of premium meat products that does not fall within the scope of this agreement. Premium meat products will be sold at prevailing market prices.

The SYSCO Corporation owns several specialty produce operations. Purchase of products from said produce operations is not provided for in this agreement.

SCHEDULE 3
TO
MASTER DISTRIBUTION AGREEMENT

Customer Negotiated Supplier Agreements

Details and Parameters

The supplier's verification and authorization of details noted on the attached form, signed by both customer and supplier, will allow SYSCO to qualify and promptly implement negotiated programs between the customer and supplier. SYSCO will gladly accept a supplier written contract as authorization, asking only that the pertinent information detailed on the attached form is included. Please utilize the form as needed to clarify details not specifically addressed in a written contract.

Please return the form along with a copy of the contract by the 10/th/ of the month prior to the effective date of monthly pricing (or 21 days before the customer's non-standard calendar effective date). After review for completeness, agreement information will be made available to the operating companies. Contracts received by SYSCO after the cut-off date that lack pertinent information as requested on the Customer Negotiated Supplier Agreement Form, and/or that are without complete SUPC information will not be implemented by SYSCO until one month later. The supplier will have sole responsibility to the customer for any discounts due during the implementation period. SYSCO operating companies will not perform retro processing procedures for agreements received after the cut off.

This form can be e-mailed as a Word.doc for convenience in setting up and maintaining negotiated programs between the customer and supplier.

SYSCO CORPORATION
Customer Negotiated Supplier Agreement Form

Customer Name	Customer Contact

Supplier Name	Supplier Contact
Supplier Contact Phone	Supplier Contact Fax
Supplier Contact Email Address	

Customer Eligibility Definition (Customer and Affiliates)
Pricing will be extended only to the customer denoted above unless denoted below.
Other affiliated customers to include ... ____________________________________

Effective Dates (MUST use full calendar months, i.e. 1-31, or customer defined fiscal calendar)

Begin Date:	End Date:

Agreement Definition for Customer/Supplier Negotiated Program (please check one)
Guaranteed: FOB cost____ or Delivered cost ____ to SYSCO, or Allowance amount per case/lb____ .

SYSCO Operating Company Inclusion
ALL servicing this customer (YES is required for National Pricing eligibility) (YES or NO)________

Brand Eligibility Definition

Manufacturer Brand	(YES or NO)_____	
SYSCO Brand	(YES or NO)_____	Must be verified by SYSCO with customer prior to

implementation.

Item Inclusion and Data Definition

For guaranteed cost programs, please define only the net customer cost to the SYSCO operating companies. This will be the base cost on which the SYSCO contracted customer margin will be applied. (If your contract is FOB, this cost plus freight will be the base cost.)

. Please refrain from quoting a billback amount.
. Please refrain from quoting the SYSCO list or bracket price. (Customer contract pricing should not be contingent on SYSCO operating company purchase patterns.)
. Please refrain from calculating end-user invoice price. Margin, fee, and rounding errors may occur.

Cost Differential Bill Back Definition

Submit Bill Back to local broker. (YES or NO)_____ (If NO, please complete the following)

Submit Bill Back to Supplier at...

Supplier Name

Address

City, State, Zip

Attn:

Supplier Authorization by ________________________ Date _______________
Customer Authorization by ________________________ Date _______________

Item Inclusion List

Customer Name   Supplier Name

Agreement Definition for Customer/Supplier Negotiated Program (please check one)

Guaranteed: FOB cost____ or Delivered cost ____ to SYSCO, or Allowance amount per case/lb ____.

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SUPC	Maufacturer's Product Code	Brand/Label	Pack/size	Product Description	Customer/Supplier Negotiated Cost or Allowance Value to SYSCO before Mark-up/Margin/Fee
<S>	<C>	<C>	<C>	<C>	<C>

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SCHEDULE 4
TO
MASTER DISTRIBUTION AGREEMENT

Customer Listing of Proprietary Products

SUPC	Pack/Size	Description

SCHEDULE 5
TO
MASTER DISTRIBUTION AGREEMENT

Customer Representations

This document was prepared and based on the following Customer representations. SYSCO reserves the right to modify the agreement in the event these parameters are not achieved.

Average Order Size	$3,800
Average Sell Price per Piece	$24.24

2. Customer will purchase not less than eighty percent (80%) of Customer's purchase requirements for each category of Products.

3. Customer will pay all amounts due SYSCO within the payment terms set forth in Section 9.

SCHEDULE 6
TO
MASTER DISTRIBUTION AGREEMENT

Corporate Customer Allowance

Annual Meeting Allowance

An annual meeting allowance of $150.00 per Red Robin Restaurant per year will be paid to Red Robin's Corporate Office on an annual basis in February based on all Red Robin Restaurants that SYSCO is selling at 80% and that has been operational for more than 90 days.

Operating Company Customer Incentive

Prompt Payment Incentive

Each Operating Company will offer an incentive allowance based on early payment of each individual customer invoice as listed below:

Invoices paid within 21 days	.15%
Invoices paid within 14 days	.30%
Invoices paid within 9 days	.45%

This incentive will be calculated from the monthly CPAS Report and the Early Pay Incentive checks will be sent to the Red Robin Corporate office for company units and to the franchise office for the franchise units.

SYSCO Employee

SYSCO will provide a full time employee at the Red Robin Corporate office in Denver to manage the Red Robin/SYSCO account.

EXHIBIT 10.37

June 6, 2002

Mr. Jim McCloskey
Chief Financial Officer
Red Robin Gourmet Burgers, Inc.
5575 DTC Parkway, Suite 110
Greenwood Village, CO 80111

Gentlemen:

Red Robin International, Inc. (the "Borrower") has informed Wachovia Bank, National Association ("Wachovia") that it intends to consummate an initial public offering of its capital stock (the "IPO"). In connection with the IPO, the Borrower intends to enter into a senior secured bank facility having substantially the terms set forth on the summary of terms and conditions attached hereto (the "Term Sheet") with certain financial institutions (the "Lenders") for an aggregate principal amount of up to $35,000,000 (the "Facility"). Wachovia understands that the proceeds of the Facility will be used (i) to finance new restaurant construction costs, (ii) to pay certain costs, fees and expenses in connection with such construction projects, (iii) to refinance certain existing debt of the Borrower, (iv) to pay any fees and expenses in connection with the Facility, (v) to provide for the working capital and general corporate requirements of the Borrower and its subsidiaries and (vi) for acquisitions relating to the purchase or repurchase of Red Robin franchises.

The IPO, the Facility and the other transactions described above are hereinafter referred to collectively as the "Transactions".

Based upon and subject to the foregoing and to the terms and conditions set forth below and in the Term Sheet, Wachovia is pleased to confirm its commitment (the "Commitment") to provide up to a $15,000,000 portion of the Facility to the Borrower and to use its reasonable best efforts to secure commitments from additional lenders for the remaining portion of the Facility. Wachovia, through its affiliate, First Union Securities, Inc., acting under the tradename Wachovia Securities ("FUSI" or the "Lead Arranger"), is also pleased to advise you of its willingness to serve as sole manager and arranger for the Facility. Wachovia's obligation to provide its portion of the Facility pursuant to the Commitment is subject to the following: (i) the Borrower's written acceptance of a letter from Wachovia to the Borrower of even date herewith (the "Fee Letter") pursuant to which the Borrower agrees to pay, or cause to be paid, to Wachovia certain fees in connection with the Facility as more particularly set forth therein, (ii) completion by Wachovia of its confirmatory due diligence on the Borrower and its subsidiaries in all respects satisfactory to Wachovia, (iii) completion of a definitive credit agreement and related

documentation for the Facility in form and substance reasonably satisfactory to Wachovia, (iv) review of all documentation relating to the IPO in form and substance reasonably satisfactory to Wachovia, (v) compliance with all applicable laws and regulations (including compliance of this letter agreement (this "Commitment Letter") and the Transactions described herein with all applicable federal banking laws, rules and regulations), (vi) there having been no competing issuance of senior debt facilities of the Borrower or any of its subsidiaries being offered, placed or arranged for the purposes of effectuating the IPO, without the prior written consent of Wachovia and FUSI, (vii) receipt of commitments by Wachovia (including Wachovia's) for the Facility equaling or exceeding $25,000,000 in aggregate principal amount, and (viii) the satisfaction of all other conditions described herein, in the Term Sheet and in such definitive credit documentation. Further, Wachovia's Commitment is subject to (a) there not having occurred any event that has, or could be reasonably expected to have, a material adverse effect on the business, properties, prospects, operations or condition (financial or otherwise) of the Borrower and its subsidiaries taken as a whole and (b) the absence of any material adverse change in the financial, banking or capital markets (including the loan syndication market) that has materially impaired or would materially impair the syndication of the Facility, as determined by Wachovia and FUSI in their reasonable discretion.

It is agreed that Wachovia will act as the Administrative Agent (the "Administrative Agent") for the Lenders under the Facility. Wachovia, through its affiliate FUSI, will also serve as sole manager of the syndication effort. In connection with such syndication effort, Wachovia, with the advice and consent of the Borrower, will manage all aspects of the syndication, including, without limitation, making decisions as to the selection and number of institutions to be approached and when such institutions will be approached, when commitments will be accepted, which institutions will participate, the allocations of commitments among syndicate Lenders and the amount and distribution of fees payable to syndicate Lenders. As a part of this process, Wachovia will consult with the Borrower regarding the selection and number of institutions to be approached.

Wachovia reserves the right, prior to or after the execution of definitive documentation with respect to the Facility, and as part of any syndication thereof or otherwise, to arrange for the assignment of a portion of the Commitment to one or more financial institutions that will become Lenders and be party to such definitive documentation. In addition, in connection with any such syndication, the Borrower acknowledges that Wachovia may allocate a portion of the fees payable under the Fee Letter to such other Lenders. It is agreed, however, that no Lender will receive compensation from or on behalf of the Borrower outside the terms contained herein and in the Fee Letter in order to obtain its commitment to participate in the Facility.

The Borrower understands that Wachovia intends to commence the syndication efforts immediately and intends to complete the syndication prior to the closing date of the Facility (the "Closing Date"). The Borrower agrees to assist Wachovia in promptly completing a mutually satisfactory syndication. The syndication will be accomplished by a variety of means including direct contact during the syndication between senior management of the Borrower and Wachovia and their respective affiliates and advisors. Wachovia reserves the right to engage the services of

FUSI and other of its affiliates in furnishing the services to be performed by Wachovia as contemplated herein and to allocate (in whole or in part) to any such affiliates any fees payable to it in such manner as it and its affiliates may agree in their sole discretion. The Borrower agrees that Wachovia may share with any of its affiliates and advisors any information related to the Transactions or any other matter contemplated hereby (other than in violation of Regulation FD), on a confidential basis; provided that such disclosure of information is for the purpose of effecting the Transactions.

The Borrower hereby represents and warrants that (i) all information, other than the Projections (as defined below), which has been or is hereafter made available to Wachovia or the Lenders by the Borrower or any of its representatives in connection with the transactions contemplated hereby ("Information") is and will be complete and correct in all material respects and, to the Borrower's knowledge, does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading and (ii) all financial projections concerning the Borrower and its subsidiaries that have been or are hereafter made available to Wachovia or the Lenders by the Borrower or any of its representatives (the "Projections") have been or will be prepared in good faith based upon assumptions that the Borrower believes to be reasonable at the time of such preparation. The Borrower agrees to furnish us with such Information and Projections as we may reasonably request and to supplement the Information and the Projections from time to time until the Closing Date so that the representation and warranty in the preceding sentence is correct on such date (including, without limitation, updating the Projections to the extent the Borrower becomes aware that such Projections have become materially inaccurate or have been prepared based upon assumptions that the Borrower believes are no longer reasonable). In arranging and syndicating the Facility, Wachovia will be using and relying on the Information and the Projections without independent verification thereof.

The Borrower agrees to reimburse Wachovia, FUSI and their affiliates from time to time on demand for all of their reasonable fees and out-of-pocket expenses (including reasonable attorneys' fees and expenses) incurred in connection with the transactions described herein whether or not the Facility is closed or any credit is extended thereunder. The Borrower also agrees to indemnify and hold harmless Wachovia, FUSI and their affiliates and their respective affiliates, directors, officers, employees and agents (collectively, the "Indemnified Parties") from and against any and all actions, suits, losses, claims, damages and liabilities of any kind or nature, joint or several, to which such Indemnified Parties may become subject, related to or arising out of any of the transactions contemplated herein, including without limitation the execution of definitive credit documentation, the syndication and closing of the Facility (a "Third Party Claim"), and will reimburse the Indemnified Parties for all reasonable out-of-pocket expenses (including reasonable attorneys' fees and expenses) on demand as they are incurred in connection with the investigation of, preparation for, or defense of any pending or threatened Third Party Claim or any action or proceeding arising therefrom; provided, however, that no Indemnified Party shall have any right to indemnification for any of the foregoing to the extent determined by a final and nonappealable judgment of a court of competent jurisdiction to have resulted from its own gross negligence or willful misconduct; provided, further, that (i) each

Indemnified Party shall promptly notify the Borrower in writing upon becoming aware of the initiation of any Third Party Claim against it, (ii) the Borrower shall be entitled to participate in the defense of any such Third Party Claim and, if the Borrower so chooses, to assume the defense, at the Borrower's expense, of any such Third Party Claim with counsel selected by the Borrower (it being understood that any Indemnified Party shall have the right to participate in such defense and employ counsel separate from the counsel employed by the Borrower, and that such counsel shall be at the expense of such Indemnified Party unless such Indemnified Party shall have been advised by counsel that there may be legal defenses available to it that are inconsistent with or in addition to those available to the Borrower, in which case such counsel shall be at the Borrower's expense) and (iii) no Indemnified Party shall settle any Third Party Claim without the Borrower's prior written consent. This Commitment Letter is addressed solely to the Borrower, and neither Wachovia and FUSI, on the one hand, nor the Borrower, on the other hand, shall be liable to the other or any other person for any consequential damages that may be alleged as a result of this Commitment Letter or any of the transactions referred to herein. This Commitment Letter is not intended to confer any obligations to or benefits upon any third party. The provisions of this paragraph shall survive completion of the Transactions and any termination of this Commitment Letter.

The Borrower is not authorized to show or circulate this Commitment Letter, the Fee Letter or the Term Sheet, or disclose the contents thereof, to any other person or entity (other than to its affiliates, directors, officers, advisors, legal and financial counsel and underwriters and underwriters counsel, whether in connection with the Facility, the IPO or otherwise; provided that (i) each of such persons shall agree to be bound by the confidentiality provisions hereof and (ii) the Borrower shall be liable for any breach of such confidentiality provisions by any such person), except as may be required by law (including, without limitation, applicable securities laws and disclosure requirements) or applicable judicial process or as consented to by Wachovia. If the Borrower does show or circulate this Commitment Letter, the Fee Letter or the Term Sheet, or disclose the contents thereof, in breach of the foregoing sentence, then the Borrower shall be deemed to have accepted this Commitment Letter and the Fee Letter.

Notwithstanding the foregoing, the Borrower acknowledges and agrees that Wachovia and FUSI may share with their respective affiliates any information relating to the Facility, the other Transactions, the Borrower and its subsidiaries (subject to Regulation FD). The Borrower further acknowledges and agrees to the disclosure by Wachovia and FUSI of information relating to the Facility to Gold Sheets and other similar bank trade publications, with such information to consist of deal terms and other information customarily found in such publications.

Prior to the Closing Date, Wachovia shall have the right to review and approve any public announcement made after the date hereof relating to the Facility, or to Wachovia or FUSI in connection therewith, before any such announcement is made (such approval not to be unreasonably withheld or delayed).

This Commitment Letter and the Fee Letter shall be governed by and construed in accordance with the internal laws of the State of North Carolina and constitute the entire

agreement between the parties relating to the subject matter hereof and thereof and supersede any previous agreement, written or oral, between the parties with respect to the subject matter hereof and thereof. This Commitment Letter shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto, but shall not be assigned in whole or in part by the Borrower without the prior written consent of Wachovia. This Commitment Letter may not be amended, assigned or any provision hereof waived or modified except by an instrument in writing signed by each of the parties hereto. The Commitment is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits on, or create any rights in favor of, any other person or entity. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original and all of which, when taken together, shall constitute one agreement.

The Commitment shall terminate at 5:00 p.m. on June 7, 2002, unless this Commitment Letter is accepted by the Borrower in writing prior to such time and, if accepted prior to such time, shall expire at the earlier of (i) Wachovia discovering or becoming aware of any information not previously disclosed to it that it believes, in the exercise of its reasonable judgment, to be materially inconsistent with its understanding, based on the information provided to it by or on behalf of the Borrower prior to the date hereof, of the business, properties, operations, condition (financial or otherwise) or prospects of the Borrower and its subsidiaries taken as a whole, (ii) the occurrence of a material adverse change in the business, properties, operations, condition (financial or otherwise) or prospects of the Borrower and its subsidiaries, (iii) the cancellation by the Borrower of the IPO and (iv) 5:00 p.m. on August 16, 2002, if the Closing Date shall not have occurred by such time.

Wachovia and FUSI each agrees to keep confidential, and to not publish, disclose or otherwise divulge to any party or person, the Information or the Projections, and to cause its respective officers, directors, employees, agents and representatives to keep confidential (including for purposes of Regulation FD), and to not publish, disclose or otherwise divulge to any party or person, the Information or the Projections, except that Wachovia and FUSI each shall be permitted to disclose the Information or the Projections (i) to such of its, or any affiliates', officers, directors, employees, agents, legal counsel and representatives as need to know such Information or Projections in connection with the syndication of the Facility and the servicing and protection of its interests in respect of its loans under the Facility and the transactions contemplated thereby; (ii) to the extent required by applicable laws and regulations or by any subpoena or similar legal process, or requested by any regulatory authority having jurisdiction over it; (iii) to the extent such Information or Projections (A) become publicly available other than as a result of a breach of this agreement or (B) becomes available to Wachovia or FUSI on a non-confidential basis from a source other than the Borrower or its affiliate; (iv) to prospective Lenders in connection with the syndication of the Facility as referred to herein; or (v) to the extent that the Borrower shall have consented to such disclosure in writing. Wachovia and FUSI each agrees that it will use the Information and Projections only for purposes related to the Facility and the transactions contemplated hereby. Wachovia and FUSI each agree that it will not disclose any of the Information or the Projections to any

prospective lender under the Facility except under confidentiality arrangements satisfactory to you.

If you are in agreement with the foregoing, please sign the enclosed copy of this Commitment Letter and return it to Wachovia and FUSI, together with an executed copy of the Fee Letter and payment of that portion of the any fee referenced in the Fee Letter which is payable upon acceptance of this Commitment Letter, by no later than 5:00 p.m. on June 7, 2002.

Sincerely,

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Braxton B. Comer
Name: Braxton B. Comer
Title: Managing Director

FIRST UNION SECURITIES, INC.

By: /s/ Braxton B. Comer
Name: Braxton B. Comer
Title: Managing Director

Agreed to and accepted as of
the date first above written:

RED ROBIN INTERNATIONAL, INC.

By: /s/ James P. McCloskey
Name: James P. McCloskey
Title: Chief Financial Officer and Secretary

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 3 to Registration Statement No. 333-87044 of Red Robin Gourmet Burgers, Inc. on Form S-1 of our report dated February 19, 2002, except for the third and fourth paragraphs of note 15, as to which the date is April 26, 2002 and for the fifth paragraph of Note 15, as to which the date is June 4, 2002, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the headings "Selected Financial Data" and "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

Denver, Colorado
July 12, 2002