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

FORM 10-K

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

For the fiscal year ended December 29, 2019

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

For the transition period from to

Commission file number 001-34851

RED ROBIN GOURMET BURGERS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-1573084** (I.R.S. Employer Identification No.)
6312 S Fiddler's Green Circle, Suite 200N **Greenwood Village, CO** (Address of principal executive offices)	**80111** (Zip Code)

(303) 846-6000
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	RRGB	NASDAQ (Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (based on the closing price on the last business day of the registrant's most recently completed second fiscal quarter on The NASDAQ Global Select Market) was $394.2 million. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

There were 12,915,148 shares of common stock outstanding as of February 25, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required for Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K is incorporated by reference to the registrant's definitive proxy statement for the 2020 annual meeting of stockholders.

RED ROBIN GOURMET BURGERS, INC.

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PART I

ITEM 1. Business

Overview

Red Robin Gourmet Burgers, Inc., together with its subsidiaries, primarily operates, franchises, and develops full-service restaurants in North America famous for serving more than two dozen craveable, high-quality burgers with Bottomless Steak Fries® in a fun environment welcoming to Guests of all ages.

We opened the first Red Robin® restaurant in Seattle, Washington in September 1969. In 1979, the first franchised Red Robin restaurant was opened in Yakima, Washington. In 2001, we formed Red Robin Gourmet Burgers, Inc., a Delaware corporation, and consummated a reorganization of the Company. Since that time, Red Robin Gourmet Burgers, Inc. has owned, either directly or indirectly, all of the outstanding capital stock or membership interests, respectively, of Red Robin International, Inc. and our other operating subsidiaries through which we operate our Company-owned restaurants. Unless otherwise provided in this Annual Report on Form 10-K, references to "Red Robin," "we," "us," "our", or the "Company" refer to Red Robin Gourmet Burgers, Inc. and our consolidated subsidiaries.

As of the end of our fiscal year onDecember 29, 2019, there were 556 Red Robin restaurants, of which 454 were Company-owned and 102 were operated by franchisees. Our franchisees are independent organizations to whom we provide certain support. See "Restaurant Franchise and Licensing Arrangements" for additional information about our franchise program. As of December 29, 2019, there were Red Robin restaurants in 44 states andone Canadian province.

Financial information for our single operating segment is included in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report.

The Company's fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. We refer to our fiscal years as 2020, 2019, 2018, 2017, 2016, and 2015 throughout this Annual Report on Form 10-K. Our fiscal years, fiscal year end dates and the number of weeks in each period is summarized in the table below:

Fiscal Year	Year End Date	Number of Weeks in Fiscal Year
Current and Prior Fiscal Years:		
2019	December 29, 2019	52
2018	December 30, 2018	52
2017	December 31, 2017	53
2016	December 25, 2016	52
2015	December 27, 2015	52
Upcoming Fiscal Year:		
2020	December 27, 2020	52

Business Strategy

Red Robin is in a time of foundational change. In 2019, we evaluated our strategic position in conjunction with the third quarter appointment of Paul J.B. Murphy III as President and Chief Executive Officer and Board Director. We also appointed three new independent Directors to our Board who all have significant restaurant and turnaround experience. We commissioned comprehensive Guest-led studies during 2019 that provided data driven and actionable information on how to align the Red Robin brand to our Guest's expectations. Looking forward, we identified clear opportunities to strengthen our brand, improve our service model, and clarify our messaging. Based on the analysis of our findings, we developed a compelling plan to quickly drive improved Guest experiences, business performance, and stockholder value; our plan includes the following four fundamental elements:

- *Recapture our Soul.*

  Our brand promise is to deliver memorable moments of connection for our Guests. We engage with our Guests by delivering and amplifying the flavor of Americana through our Gourmet Burgers and other favorite menu items, including shareable foods like our all-you-can-eat Bottomless Steak Fries®. A visit to our restaurant encourages our Guests to determine the pace of their experience based on their occasion (which we have historically and proudly referred to as "The Gift of Time"), while enjoying our family friendly and playful atmosphere. A visit to Red Robin encourages Guests to connect with the people around the table, our Team Members, and our brand. We believe that delivering on our brand promise will drive growth in Guest visits and brand advocacy.

- *Deliver the Promise.*

  We are accountable for consistently delivering our brand promise to our Guests. We are focused on implementing a new service model that enhances our Guest experience by increasing the functionality and hospitality levels at our restaurants. To enable this, we are rationalizing our menu offerings to emphasize core product ingredient quality and product innovation, in conjunction with identifying key opportunities. We are also investing in technology; In 2019 we rolled out our server hand-held point-of-sale devices and headsets, improving both speed of service and order accuracy. In 2020, we will introduce a new loyalty program and digital ordering experience, to drive incremental visits and additional off-premise sales. Finally, we continue to emphasize and support Team Member engagement. We strive to achieve best-in-class retention levels from General Manager to hourly Team Members and encourage our Team Members live our B.U.R.G.E.R. values everyday: Bottomless Fun, Unwavering Integrity, Relentless Focus on Improvement, Genuine Spirit of Service, Extraordinary People, and Recognized Burger Authority. Our culture fosters improved Guest satisfaction and the development of great leaders.

- *Tell Our Story.*

  We launched our "All the Fulls" omni-channel brand campaign in the third quarter of 2019, which emphasizes the emotional appeal of our brand promise of driving memorable moments of connection, and reinforces key aspects of our brand, including Americana, family friendly atmosphere, and shareable menu items. This has transformed the emphasis of our messaging from price driven to highlighting the value our brand provides. We expect this to drive improved engagement with our Guests and grow restaurant traffic.

- *Accelerate Profitable Growth*

  We seek to accelerate profitable sales growth through selective focus on fewer and more impactful initiatives that will drive significant top and bottom-line results. We intend to grow our off-premise and catering business, which has already proven to be a significant driver of sales. We will also launch Red Robin last-mile delivery in 2020, which will provide Guests the ability to utilize our unique loyalty program, “Red Robin Royalty™" when ordering off-premise. Further, in 2020 we announced our partnership with Donatos®, a high-quality pizza brand "nested" inside of Red Robin restaurants that we expect to drive incremental top-line sales and gross margin and give Guests another reason to choose Red Robin.

Restaurant Concept

The Red Robin brand has many desirable attributes, including a range of high-quality menu items, a strong Guest-focused culture, and a value proposition designed to help our Guests experience memorable moments connecting family, friends, and fun.

We pride ourselves on our Gourmet Burgers and other American Favorites served in a casual, playful atmosphere. Our menu features our signature product, a line of Gourmet Burgers which we make from premium quality, fresh ground beef. To complement our best-selling Gourmet Burgers, we offer an everyday-value line of Red’s Tavern Double® burgers, and Red Robin’s Finest line made with premium toppings. We also offer burgers made with other proteins including chicken breasts (grilled or fried), turkey patties, as well as a proprietary vegetarian patty and the Impossible™ plant-based burger patty. We offer a selection of buns, including gluten free, sesame, whole grain, and lettuce wraps, with a variety of toppings, including house-made sauces, crispy onion straws, sautéed mushrooms, several cheese choices, and a fried egg. All our burgers are served with our all-you-can-eat Bottomless Steak Fries® or Guests may choose from other side options. We specialize in customizing our menu items to meet our Guests’ dietary needs and preferences and have received recognition from experts in the allergen community. In addition to burgers, which accounted for 66% of our entrée sales in 2019, Red Robin serves an array of other American Favorites that appeal to a broad range of Guests. These items include a variety of shareable appetizers, salads, soups, seafood, and other entrees. We also offer a range of single-serve and shareable desserts as well as our milkshakes. Our beverages include signature alcoholic and non-alcoholic specialty drinks, cocktails, wine, and a variety of national and craft beers.

We strive to give our Guests the choice of the pace of their experience based on their occasion, from accommodating time-pressured meals to offering a place to relax and connect with friends. Red Robin also has an unparalleled and extraordinary approach to Guest service, and we have cataloged thousands of stories of Red Robin Team Members who live our values. Many examples can be found on our website, www.redrobin.com. We encourage our Team Members to execute on the aspects of service that we have identified to be the biggest drivers of our Guest loyalty. Note that our website and the information contained on or connected to our website are not incorporated by reference herein, and our web address is included as an inactive textual reference only.

We also strive to provide our Guests with exceptional dining value and the ability to customize their experience. In 2019, we had an average check per Guest of $13.46 including beverages. We believe this price-to-value relationship, featuring our innovative array of burgers, differentiates us from our casual dining competitors and allows us to appeal to a broad base of middle income, multi-generational consumers.

Operations

Restaurant Management

Our typical restaurant management team consists of a general manager, an assistant general manager, and two or three assistant managers depending on restaurant sales volumes. The management team of each restaurant is responsible for the day-to-day operation of that restaurant, including hiring, training, and coaching of Team Members, as well as operating results. Our typical restaurant employs approximately 55 Team Members, most of whom work part-time on an hourly basis.

Learning and Development

We strive to maintain quality and consistency in each of our restaurants through the training and supervision of Team Members and the establishment of, and adherence to, high standards relating to Team Member performance, food and beverage preparation, and the maintenance of our restaurants. Each restaurant maintains a group of certified learning coaches, including a head learning coach, who collectively are tasked with preparing new Team Members for success by providing on-the-job training leading up to a final skills certification for their position. Team Members seeking advancement have the opportunity to join our management development program as a Shift Supervisor. One of our main priorities will continue to be hire, train, and retain Team Members as we believe this is key to maintaining quality and consistency in each of our restaurants.

Shift Supervisors complete an in-depth training curriculum that develops their ability to supervise all aspects of shift execution, including, but not limited to, food safety, food production, coaching, and financial aspects of the business. The Shift Supervisor program is an important steppingstone for hourly Team Members who desire a career in restaurant management.

New restaurant managers participate in our eight-week Management Foundations training program. This program hones each manager’s skills, specifically in two areas: flawless shift execution and effective coaching of Team Members.

Providing our restaurant teams the support and resources they need to be successful requires dedication, an of-service attitude, and the utmost professionalism on the part of our restaurant support center team. We ensure the restaurant support center Team Members have what they need to meet these demands by offering several avenues to enhance their professional development, including but not limited to an in-house leadership library of over 400 titles, more than 40 on-site and 12 off-site development workshop opportunities, as well as one-on-one coaching.

Food Safety and Purchasing

Our food safety and quality assurance programs help manage our commitment to quality ingredients and food preparation. Our systems are designed to protect our food supply from product receipt through preparation and service. We provide detailed specifications for our food ingredients, products, and supplies to our suppliers. We qualify and audit our key manufacturers and growers and require their certification under the Global Food Safety Initiative. Our restaurant managers are certified in a comprehensive safety and sanitation course by the National Restaurant Association’s ServSafe program. Minimum cooking requirements, specifically safe handling, cooling procedures, and frequent temperature and quality checks, ensure the safety and quality of the food we serve in our restaurants. In order to provide the freshest ingredients and products and to maximize operating efficiencies between purchase and usage, each restaurant’s management team determines the restaurant’s daily usage requirements for food ingredients, products, and supplies, and accordingly, orders from approved suppliers, and distributors. The restaurant management team inspects deliveries to ensure that the products received meet our safety and quality specifications. Additionally, we engage an independent auditing company to perform unannounced comprehensive food safety and sanitation inspections up to four times a year in all Company-owned and franchised restaurants.

To maximize our purchasing efficiencies and obtain the best possible prices for our high-quality ingredients, products, and supplies, our centralized purchasing team negotiates supply agreements that may include fixed price contracts that can vary in term, or formula-based pricing agreements that can fluctuate on changes in raw material commodity pricing. Of our total cost of goods in 2019, ground beef represented approximately 14%, potatoes represented approximately 13%, and poultry represented approximately 9%. We monitor the market for the primary commodities we purchase and extend contract positions when applicable in order to minimize the impact of fluctuations in price and availability. However, certain commodities, primarily cheese, potatoes, and ground beef remain subject to market price fluctuations. We continue to identify competitively priced, high quality alternative manufacturers, suppliers, growers, and distributors that are available should the need arise; however, to date we have not experienced significant disruptions in our supply chain. As of December 29, 2019, approximately 60% of our estimated annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through the end of 2021.

Restaurant Development

Red Robin has grown its restaurant base prudently, considering a number of factors, including general economic conditions, expected financial performance, availability of appropriate locations, competition in local markets, and the availability of teams to manage new locations. Our site selection criteria focuses on identifying markets, trade areas, and specific sites that are likely to yield the greatest density of desirable demographic characteristics, retail traffic, and visibility. Based on these factors, we paused on new corporate growth in 2019. Over the past three years, we have opened a total of 26 new restaurants, including one relocated restaurant.

In 2020, we announced our partnership with Donatos®, a high-quality pizza brand "nested" inside of Red Robin restaurants. Through this partnership, our restaurants will prepare and serve Donatos® branded pizzas to our dine in and off-premise Guests. Pursuant to a licensing arrangement, we will pay royalties on sales of Donatos® pizza products to Donatos®. We plan to introduce Donatos® pizzas to approximately 100 restaurants in 2020 and 150 restaurants in both 2021 and 2022.

During 2020, we will continue to execute our long-term growth strategywhich includes opportunities to broaden our reach and execute sustainable growth initiatives that deliver value to our stockholders. The Company is not expecting to open any new restaurants during 2020, but we will continue to invest money in restaurant refreshes and remodels under a new restaurant prototype to better meet the dine-in and off-premise needs of our Guests.

Restaurant Franchise and Licensing Arrangements

As of December 29, 2019, our franchisees operated 102 restaurants in 16 states and British Columbia, Canada. Our two largest franchisees own 43 restaurants located in Michigan, Ohio, and Eastern and Central Pennsylvania. In 2019, franchisees opened one new restaurant based on new area development agreements executed in 2017 and acquired 12 restaurants from corporate. We expect our franchisees will open one new restaurant in 2020. We are identifying additional franchise opportunities to grow our franchise base through existing franchisees based on markets of interest.

Franchise Compliance Assurance

We actively work with and monitor our franchisees' performance to help them develop and operate their restaurants in compliance with Red Robin's standards, systems, and procedures. During the restaurant development phase, we review the franchisee's site selection and provide the franchisee with our prototype building plans. We provide trainers to assist the franchisee in opening the restaurant for business. We advise the franchisee on all menu items, management training, and equipment and food purchases. We also exchange best operating practices with our franchisees as we strive to improve our operating systems while attaining a high level of franchisee participation.

Information Technology

We rely on information systems in all aspects of our operations, including, but not limited to, point-of-sale transaction processing in our restaurants; operation of our restaurants; management of our inventories; collection of cash; payment of payroll and other obligations; and various other processes and procedures.

Our restaurant support center and Company-owned restaurants are enabled with information technology and decision support systems. In our restaurants, these systems are designed to provide operational tools for sales, inventory, and labor management. This technology includes industry-specific, off-the-shelf systems, as well as proprietary software such as tools designed to optimize food and beverage costs and labor costs. These systems are integrated with our point-of-sale systems to provide daily, weekly, and period-to-date information that is important for managers to run an efficient and effective restaurant. We also use other systems to interact with our Guests. These include online and in-restaurant Guest feedback systems, which provide real-time results on Guest service, food quality, and atmosphere to each of our restaurants.

We utilize centralized financial, accounting, and human resources management systems to support our Company-owned restaurants. In addition, we use an operations scorecard that integrates data from our centralized systems and distributes information to assist in managing our restaurants. We believe these combined tools are important in analyzing and improving our operations, profit margins, and other results.

In 2019, we invested in connectivity and data infrastructure that modernized and upgraded the capacity of our restaurant systems, deployed hand-held point-of-sale devices systemwide, and continued work on new, Guest facing digital experiences that support in-restaurant and off-premise dining. In 2020 we plan to continue our investments in building innovative digital experiences for our Guests and to improve our ability to manage our technology infrastructure through investments in automation, and advanced monitoring.

We accept electronic payment cards from our Guests for payment in our restaurants. We also receive and maintain certain personal information about our Guests and Team Members. We have systems and processes in place that focus on the protection of our Guests' credit card information and other private information we are required to protect, such as our Team Members' personal information. We have taken a number of steps to prevent the occurrence of security breaches in this respect.

Our systems have been carefully designed and configured to protect against data loss or compromise. For example, because of the number of credit card transactions processed in our Company-owned restaurants, we are required to maintain the highest level of Payment Card Industry ("PCI") Data Security Standard compliance at our restaurant support center and Company-owned restaurants. These standards, set by a consortium of the major credit card companies, require certain levels of system security and procedures to protect our customers' credit card and other personal information.

We also engage security assessors and consultants to review and advise us on our other data security practices with respect to protection of other sensitive personal information that we obtain from Guests and Team Members.

Marketing and Advertising

We build brand equity and awareness through an omni-channel media strategy with tailored content by channel. We leverage national television, digital media (including search, website and paid digital), social media, email, loyalty, and public relations initiatives. These programs are funded primarily through cooperative creative development and national media advertising funds.

In recent years, we have undertaken significant market research initiatives to gain feedback and perceptions in order to inform our business decisions. Among other things, we use a Guest satisfaction tool in all restaurants that provides feedback from Guests on their experiences. Restaurant managers use this information to help identify areas of focus to strengthen restaurant performance and track progress. We also continually monitor our performance relative to peers and test potential business drivers among both current and potential Guests. We track the frequency and purchase behavior of Guests who are members of our Red Robin Royalty™ loyalty program.

In 2019, we launched our new brand campaign, "All the Fulls", which is rooted in consumer insights and highlights our distinctive positioning and emotional connection with Guests. We plan to continue featuring this new campaign across multiple media channels in 2020. We will also continue marketing support for our growing off-premise business which includes catering, carryout and delivery.

Team Members

As of December 29, 2019, we had 24,586 employees, whom we refer to as Team Members, consisting of 24,228 Team Members at Company-owned restaurants and 358 Team Members at our corporate headquarters and field offices. We are currently 98% staffed at the restaurant manager level, and our restaurant Team Member turnover rate is approaching industry best-in-class targets. None of our Team Members are covered by a collective bargaining agreement. We consider our Team Member relations to be good.

We support our Team Members by offering competitive wages and benefits for eligible Team Members, including medical and other insurance, an employee stock purchase plan, and equity-based awards for eligible corporate and operations employees at the director level and above. We motivate and develop our Team Members by providing them with opportunities for increased responsibilities and advancement. At certain levels, we also offer performance-based incentives tied to sales, profitability, and/or certain qualitative measures.

Executive Officers

The following table sets forth information about our executive officers and other key employees:

Name	Age	Position
Paul Murphy	65	President and Chief Executive Officer[1]
Jonathan Muhtar	48	Executive Vice President and Chief Concept Officer
Lynn S. Schweinfurth	52	Executive Vice President and Chief Financial Officer
Michael Buchmeier	56	Senior Vice President, Chief People Officer, and Interim Chief Operating Officer
Dean Cookson	50	Senior Vice President and Chief Information Officer
Michael L. Kaplan	51	Senior Vice President and Chief Legal Officer

[1] Also a member of the Company's board of directors.

Paul Murphy. Mr. Murphy joined Red Robin as President and Chief Executive Officer in October 2019. Mr. Murphy has served as Executive Chairman of Noodles & Company from July 2017. Prior to that, Mr. Murphy served as CEO and a member of the board of directors of Del Taco Restaurants, Inc. from February 2009 to July 2017, and as President from February 2009 to December 2016. From 1996 to 2008, Mr. Murphy held various roles with Einstein Noah Restaurant Group, Inc. Mr. Murphy originally joined Einstein's as Senior Vice President, Operations in 1997. He was promoted to Executive Vice President, Operations in 1998, and to Chief Operating Officer in 2002. In 2003, he was appointed President and

CEO and a member of the board of directors. Mr. Murphy has significant experience in both operational and executive leadership in the restaurant industry, including leading companies through successful business transformations.

Jonathan Muhtar. Mr. Muhtar was promoted to Executive Vice President and Chief Concept Officer of the Company, effective January 1, 2018. Mr. Muhtar previously served the Company as Senior Vice President and Chief Marketing Officer from December 2015 until his promotion. Prior to joining the Company, Mr. Muhtar served as Executive Vice President and Chief Marketing Officer of Captain D's Seafood Restaurant from November 2011 to December 2015, and as Vice President of Global Marketing and Innovation and in other corporate and marketing positions at Burger King Corporation from July 2004 to June 2011.

Lynn S. Schweinfurth. Ms. Schweinfurth joined Red Robin as Executive Vice President and Chief Financial Officer in January 2019. Ms. Schweinfurth previously served as Vice President, Chief Financial Officer and Treasurer of Fiesta Restaurant Group since 2012 and was appointed Senior Vice President of Fiesta Restaurant Group in February 2015. From 2010 to 2012, she served as Vice President of Finance and Treasurer of Winn-Dixie Stores, Inc. Ms. Schweinfurth was Chief Financial Officer of Lone Star Steakhouse and Texas Land & Cattle from 2009 to 2010. She was Vice President, Finance, at Brinker International, Inc. from 2004 to 2009. Prior to 2004, Ms. Schweinfurth served in various corporate finance positions at Yum Brands, Inc. and PepsiCo, Inc.

Michael Buchmeier. Mr. Buchmeier rejoined Red Robin in 2008 as a Regional Operations Director. He had been promoted to positions of increasing responsibility in restaurant operations, including VP, Operations Standards and Talent, and eventually to Red Robin's interim Chief People Officer before being appointed to the Senior Vice President and Chief People Officer position permanently in 2019. He had previously been a member of the Red Robin team from 1986 to 1996 as a Director of Operations prior to branching out to serve in leadership positions at other companies and to own and operate another restaurant concept. Upon the departure of Guy Constant, former Chief Operating Officer, in January 2020, Mr. Buchmeier assumed the role of interim Chief Operating Officer until the Company finds a permanent Team Member for the position.

Dean Cookson. Mr. Cookson joined Red Robin as Senior Vice President and Chief Information Officer in September 2017. Prior to joining Red Robin, Mr. Cookson served as Vice President and Chief Technology Officer of Virgin America Inc. from February 2011 to January 2017. He served as Vice President of Business Development at Basho Technologies, Inc. from April 2010 to February 2011. Prior to joining Basho, he served as Chief of Operations for Snapfish from June 2009 to April 2010. He also served as VP of Systems and Support Operations at Snapfish from February 2007 to June 2009. Prior to joining Snapfish, he served as Director of Production Operations at LookSmart Group, Inc. from 2002 to 2007.

Michael L. Kaplan. Mr. Kaplan joined Red Robin as Senior Vice President, Chief Legal Officer and Secretary in October 2013. Prior to joining the Company, he served as Senior Vice President, General Counsel, Chief Security Officer and Corporate Secretary of DAE Aviation Holdings, Inc. (d/b/a Standard Aero), a privately held global aviation maintenance company, from January 2010 to September 2013, and as a Shareholder at Greenberg Traurig, LLP, an international law firm, from January 2002 to January 2010.

Competition

The restaurant industry is highly competitive, and our Guests may choose to purchase food at supermarkets or other food retailers. Although, for some occasions, we compete against other segments of the restaurant industry, including quick-service and fast-casual restaurants, our primary competition is with other sit-down, casual dining restaurants within the casual dining segment. In addition, we compete to attract Guests for off-premise dining occasions, including online ordering, delivery, to-go, and catering. The number, size, and strength of competitors vary by region, concept, market, and even restaurant. We compete on the basis of taste, quality, price of food and related Guest value, Guest service, ambiance, location, and overall dining experience.

We believe our Guest demographics, strong brand recognition, gourmet burger concept, family friendly atmosphere, attractive price-value relationship, and the quality of our food and service enable us to differentiate ourselves from our full-service competitors. We believe we compete favorably with respect to each of these factors. Our competitors include well-established national chains which have more substantial marketing resources. We also compete with many other restaurant and retail establishments for Team Members.

Seasonality

Our business is subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season due to factors including our retail-oriented locations and family appeal. As a result, our quarterly operating results and comparable restaurant sales may fluctuate significantly as a result of seasonality. Accordingly, results for any one quarter or year 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.

Trademarks

We have a number of registered trademarks and service marks, including the Red Robin®, Red Robin Gourmet Burgers®, Red Robin America's Gourmet Burgers & Spirits®, Red Robin Burger Works®, "YUMMM®", Red Robin Gourmet Burgers and Brews™, and Red Robin Royalty™ names and logos. We have registered or filed applications for trademarks for these marks, among others, with the United States Patent and Trademark Office, and we have applied to register various trademarks in certain other international jurisdictions. Pursuant to our licensing arrangement with Donatos®, we license the right to use the Donatos® trademark.

In order to better protect our brand, we have also registered the Internet domain name*www.redrobin.com*. We believe our trademarks, service marks, and other intellectual property rights have significant value and are important to our brand building efforts and the marketing of our restaurant concept.

Government Regulation

Our restaurants are subject to licensing and regulation by state, province, and local health, safety, fire, and other authorities, including licensing requirements, and regulations for the sale of alcoholic beverages and food. To date, we have been able to obtain and maintain all necessary licenses, permits, and approvals. The development and construction of new restaurants is subject also 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 the franchisor-franchisee relationship. Various federal and state labor laws govern our relationship with our Team Members and affect operating costs. These laws govern minimum wage requirements, overtime pay, meal and rest breaks, unemployment tax rates, health care and benefits, workers' compensation rates, citizenship or residency requirements, child labor regulations, and discriminatory conduct. Federal, state, and local government agencies have established or are in the process of establishing regulations requiring that we disclose to our Guests nutritional information regarding the items we serve.

Available Information

We maintain a link to investor relations information on our website,*www.redrobin.com*, where we make available, free of charge, our Securities and Exchange Commission ("SEC") filings, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. All SEC filings are also available at the SEC's website at *www.sec.gov.* Our website and the information contained on or connected to our website are not incorporated by reference herein, and our web address is included as an inactive textual reference only.

Forward-Looking Statements

Certain information and statements contained in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA") codified at Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. This statement is included for purposes of complying with the safe harbor provisions of the PSLRA. Forward-looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. These statements may be identified, without limitation, by the use of forward-looking terminology such as "anticipate," "assume," "believe," "could," "estimate," "expect," "future," "intend," "may," "plan," "project," "will," "would," and similar expressions. Certain forward-looking statements are included in this Annual Report on Form 10-K, principally in the sections captioned "Business," "Legal Proceedings," "Consolidated Financial Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements relate to, among other things:

- our business objectives and strategic plans, including growth in Guest traffic and revenue, improvements in operational efficiencies, gross margins, and expense management, enhancing our restaurant environments and Guest engagement;
- our ability to grow our average check and increase sales of incremental items;
- our ability to hire, train and retain Team Members, especially General Managers;
- our ability to grow sales through menu rationalization and service enhancement;
- our pricing strategy and any future price increases and their effect on Guest traffic and ordering choices, and, as a result, our revenue and profit;
- the timing and cost of our investment and implementation of improvements in our information technology systems and data infrastructure to support Guest service and engagement and the digital Guest experience, and anticipated related benefits;

- anticipated Company growth and the development of a new restaurant prototype;
- anticipated restaurant operating costs, including commodity and food prices, labor and energy costs, and selling, general, and administrative expenses, as well as the effect of inflation on such costs and our ability to reduce overhead costs and improve efficiencies;
- anticipated legislation and other regulation of our business, including minimum wage standards;
- developing, testing, and implementing more recent initiatives, such as changes to our service model, our partnership with Donato's®, online ordering services, third-party and last mile delivery services, catering services, and addressing operational challenges associated with these initiatives;
- the amount of future capital expenditures;
- our expectation that we will have adequate cash from operations and credit facility borrowings to meet all future debt service, capital expenditures, and working capital requirements;
- anticipated retention of future cash flows to fund our operations and expansion of our business, to fund growth opportunities, to pay down debt, or to repurchase stock;
- the sufficiency of the supply of our food, supplies, and labor pool to carry on our business;
- our franchise program, franchisee new restaurant openings, refreshes, remodels, potential expansion and other changes to our franchise program;
- the continuation of our share repurchase program, and other capital deployment opportunities;
- expectations about any future interest rate swap;
- the effect of the adoption of new accounting standards on our financial and accounting systems and analysis programs;
- expectations regarding our taxes, including anticipated tax credits and net operating loss carryforwards;
- expectations regarding the discontinuance of LIBOR and its effect on our credit facility;
- expectations regarding competition and our competitive advantages against our casual dining peers;
- expectations regarding consumer preferences and consumer discretionary spending; and
- statements under the heading "2020 Outlook and Beyond"

Although we believe the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties.

In some cases, information regarding certain important factors that could cause actual results to differ materially from a forward-looking statement appears together with such statement. In addition, the factors described under Critical Accounting Policies and Estimates and Risk Factors, as well as other possible factors not listed, could cause actual results to differ materially from those expressed in forward-looking statements, including, without limitation, the following: the effectiveness of the Company's strategic initiatives, including alternative labor models, service, and operational improvement initiatives; the ability to train and retain the Company's workforce for service execution, including the complexities related to growth of multiple revenue streams within the restaurants; the effectiveness of the Company's marketing strategies and promotions; menu changes, including the anticipated sales growth, costs, and timing of the Donatos® expansion; the implementation and rollout of new technology solutions in the restaurants and timing thereof; the ability to increase off-premise sales; the ability to achieve revenue and cost savings from these and other initiatives; the Company's franchise strategy; competition in the casual dining market and discounting by competitors; the cost and availability of key food products, distribution, labor, and energy; general economic conditions; the cost and availability of capital or credit facility borrowings; the adequacy of cash flows or available debt resources to fund operations and growth opportunities; limitations on our ability to execute stock repurchases at all or at the times or in the amounts we currently anticipate or to achieve anticipated benefits of a share repurchase program; the impact of the Company's adoption of a shareholder rights plan; the impact of federal, state, and local regulation of the Company's business; concentration of restaurants in certain markets; changes in consumer disposable income; consumer spending trends and habits; regional mall and lifestyle center traffic trends or other trends affecting traffic at our restaurants; changes in federal, state, or local laws and regulations affecting the operation of our restaurants, including but not limited to, minimum wages, consumer health and safety, health insurance coverage, nutritional disclosures, and employment eligibility-related documentation requirements; costs and other effects of legal claims by Team Members, franchisees, customers, vendors, stockholders, and others, including settlement of those claims or negative publicity regarding food safety or cyber security; weather conditions, and related events in regions where our restaurants are operated; and changes in accounting standards policies, and practices or related interpretations by auditors or regulatory entities.

All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

ITEM 1A. 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 making an investment decision. The occurrence of any of the following risks could materially harm our business, financial condition, results of operations, or cash flows. The trading price or value of our common stock could decline, and you could lose all or part of your investment. When making an investment decision with respect to our common stock, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes.

Risks Related to Our Business

Our business strategy may not be successful or achieve the desired results, which may have an adverse impact on our business and financial results.

Our business strategy is designed to allow Red Robin to deliver long-term value creation for stockholders in a rapidly evolving marketplace. Our turnaround strategy focuses on recapturing and delivering on our brand promise through a new service model, continuing to embrace "The Gift of Time” as a key differentiator, technology solutions, and staffing and retention; telling our story through a new creative strategy and marketing initiatives; and accelerating profitable growth through off premise sales, menu rationalization and enhancement including the introduction of Donatos® pizza, and a new restaurant prototype for future development.

These strategies and initiatives may not result in sustained higher sales. We may face delays or difficulties in implementing our new service model, and it may not achieve the service enhancements we expect, which may negatively affect Guest traffic and sales. Catering, online ordering, and other out-of-restaurant sales options also involve additional operating procedures and complexity for our restaurants and increase reliance on third parties. We may not successfully execute these procedures and are not in control of the experience provided by third parties, which could adversely impact the Guest experience and, as a result, harm Guest perception of our brand and sales. Our business and successful turnaround depends upon our ability to continue to grow and evolve through various important strategic initiatives. There can be no assurance we will be able to develop or implement these or other important strategic initiatives, or that we have, or will have, sufficient resources to fully and successfully implement, sustain results from, or achieve additional expected benefits from them, which could in turn adversely affect our business.

Our success depends on our ability to effectively compete in the restaurant industry to attract and retain Guests.

Competition in the restaurant industry is intense and barriers to entry are low. Our competitors include a large and diverse group of restaurants in all segments ranging from quick serve and fast casual to polished casual and those verging on fine dining. These competitors range from independent local operators that have opened restaurants in various markets, high growth targeted “better” burger concepts in the quick serve and fast casual space, to the well-capitalized national restaurant companies. Many of these concepts have already captured segments of the market that we are targeting, and are expanding faster than we are, penetrating both desirable geographic and demographic markets. Many of our competitors are well established in the casual dining market segment and in certain geographic locations and some of our competitors have substantially greater financial, marketing, and other resources than we have available. Accordingly, they may be better equipped than us to increase marketing or to take other measures to maintain their competitive position, including the use of significant discount offers to attract Guests. We also compete with other restaurants and retail establishments for real estate and attractive locations.

Our marketing and branding strategies to attract, engage, and retain our Guests may not be successful, which could negatively affect our business.

We continue to evolve our marketing and branding strategies in order to appeal to customers and compete effectively to attract, engage, and retain customers. Our unique loyalty program, “Red Robin Royalty™” has experienced some success in enrollment and driving sales and Guest counts by providing loyal Guests with various incentives and rewards. We intend to continue to provide a family friendly atmosphere and have recently shifted our marketing focus to reinforce moments of connection and brand equities instead of price to drive Guest engagement, traffic and sales. We do not have any assurance our marketing strategies will be successful. If our advertising, branding, and other marketing programs and methods are not successful, we may not generate the level of restaurant sales or Guest traffic we expect, and the expense associated with these programs may negatively affect our financial results. Moreover, many of our competitors have larger marketing resources and more extensive national marketing strategies and media usage and we may not be able to successfully compete against those established programs.

Our inability to effectively use and monitor social media could harm our marketing efforts as well as our reputation, which could negatively impact our restaurant sales and financial performance.

As part of our marketing efforts, we rely on omni-channel creative strategy including increased social and digital engagement platforms, including Facebook®, Instagram®, and Twitter® to attract and retain Guests. As a result, we need to continuously innovate and develop our social media strategies in order to maintain broad appeal. Many of our competitors are expanding their use of social media and new social media platforms are rapidly being developed, potentially making more traditional social media platforms obsolete and making it challenging for us to differentiate our social media messaging. As a result, we need to continuously innovate and develop our social media strategies in order to maintain broad appeal.

Social media can be challenging because it provides consumers, employees, and others with the ability to communicate approval or displeasure with a business, in near real time, and provides any individual with the ability to reach a broad audience and with comments that are often not filtered or checked for accuracy. If we are unable to quickly and effectively respond, any negative publicity could “go viral” causing nearly immediate and potentially significant harm to our brand and reputation, whether or not factually accurate. In addition, social media can facilitate the improper disclosure of proprietary information, exposure of personally identifiable information, fraud, or out-of-date information.

As a result, if we do not appropriately manage our social media strategies, our marketing efforts in this area may not be successful and any failure (or perceived failure) to effectively respond to negative or potentially damaging social media chatter, whether accurate or not, could damage our reputation, negatively impacting our restaurant sales and financial performance. The inappropriate use of social media vehicles by our Guests or Team Members could increase our costs, lead to litigation, or result in negative publicity that could damage our reputation.

A privacy or security breach involving our information technology systems, or the failure of our data security measures could interrupt our business, damage our reputation, and negatively affect our operations and profits.

The protection of customer, employee and company data is critical to us. We are subject to laws relating to information security, privacy, cashless payments, consumer credit, and fraud. Additionally, an increasing number of government and industry groups have established laws and standards for the protection of personal and health information. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements including the recently enacted California Consumer Privacy Act (CCPA). Compliance with these requirements may result in cost increases due to necessary system changes and the development of new administrative processes, and if we fail to comply with the laws and regulations regarding privacy and security, we could be exposed to risks of fines, investigations, litigation and disruption of our operations.

Moreover, we accept electronic payment cards from our Guests for payment in our restaurants. In the ordinary course of our business, we receive and maintain certain personal information from our Guests, Team Members, and vendors, and we process Guest payments using payment information. Customers and employees have a high expectation we will adequately protect their personal information. Third parties may have the technology or know-how to breach the security of this customer information, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. A number of restaurant operators and retailers have experienced security breaches in which credit and debit card information may have been stolen. Although we employ security technologies and practices and have taken other steps to try to prevent a breach, we may nevertheless not have the resources or technical sophistication to prevent rapidly evolving types of cyber-attacks. If we have experienced, or in the future experience, a security breach, we could become subject to claims, lawsuits, or other proceedings for purportedly fraudulent transactions arising out of the theft of credit or debit card information, compromised security and information systems, failure of our employees to comply with applicable laws, the unauthorized acquisition or use of such information by third parties, or other similar claims. Any such incidents or proceedings could disrupt the operation of our restaurants, adversely affect our reputation, Guest confidence, and our results of operations, or result in the imposition of penalties or cause us to incur significant unplanned losses and expenditures, including those necessary to remediate any damage to persons whose personal information may have been compromised. Although we have established a consumer cyber security “bill of rights” for our Guests, which includes a number of procedures designed to increase transparency and address our Guests’ concerns regarding data breaches (whether actual or perceived), this policy may not be effective in addressing those concerns, which may in turn adversely affect our reputation and Guest confidence. We maintain a separate insurance policy covering cyber security risks and such insurance coverage may, subject to policy terms and conditions, cover certain aspects of cyber risks, but is subject to a retention amount and may not be applicable to a particular incident or otherwise may be insufficient to cover all our losses beyond any retention. Further, in light of recent court rulings and amendments to policy forms, there is uncertainty as to whether traditional commercial general liability policies will be construed to cover the expenses related to a cyber-attack and breaches if credit and debit card information is stolen.

Because of the number of credit card transactions we process, we are required to maintain the highest level of PCI Data Security Standard compliance at our restaurant support center and Company-owned restaurants. As part of an overall security program and to meet PCI standards, we undergo regular external vulnerability scans and we are reviewed by a third-party assessor. As PCI standards change, we may be required to implement additional security measures. If we do not maintain the required level of PCI compliance, we could be subject to costly fines or additional fees from the card brands that we accept or lose our ability to accept those payment cards. Our franchisees are separate businesses that have different levels of compliance required depending on the number of credit card transactions processed. If our franchisees fail to maintain the appropriate level of PCI compliance or they experience a security breach, it could negatively impact their business operations, and we could face a loss of or reduction in royalties or other payments they are required to remit to us and it could adversely affect our reputation and Guest confidence.

Changes in consumer preferences could negatively affect our results of operations.

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. Our restaurants compete on the basis of a varied menu and feature burgers, salads, soups, appetizers, other entrees, desserts, and our signature alcoholic and non-alcoholic beverages, and we are in the process of rolling out Donatos® pizza to our restaurants, in a family friendly atmosphere. Our continued success depends, in part, upon the continued popularity of these foods and this style of casual dining. Shifts in consumer preferences away from this cuisine or dining style could have a material adverse effect on our future profitability. In addition, competitors' use of significant advertising and food discounting could influence our Guests' dining choices. There is no assurance that the addition of Donatos® pizza to our menu will not negatively impact our brand or cannibalize sales of core menu items.

Further, changing health or dietary preferences may cause consumers to avoid our products in favor of alternative foods. The food service industry as a whole rests on consumer preferences and demographic trends at the local, regional, and national levels, and the effect on consumer eating habits of new information regarding diet, nutrition, and health. New laws requiring additional nutritional information to be disclosed on our menus, changes in nutritional guidelines issued by the federal government agencies, issuance of similar guidelines or statistical information by other federal, state or local municipalities, or academic studies, among other things, may affect consumer choice and cause consumers to significantly alter their dining choices in ways that adversely affect our sales and profitability.

We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases, and risks related to renewal.

As of December 29, 2019, 417 of our 454 Company-owned restaurants are located on leased premises. Payments under our operating leases account for a significant portion of our operating expenses. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. In connection with closing restaurants, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term.

In addition, as each of our leases expires, there can be no assurance we will be able to renew our expiring leases after the expiration of all remaining renewal options, either on commercially acceptable terms or at all. As a result, we may incur additional costs to operate our restaurants, including increased rent and other costs related to the negotiation of terms of occupancy of an existing leased premise. If we are unable to renew a lease or determine not to renew a lease, there may be costs related to the relocation and development of a replacement restaurant or, if we are unable to relocate, reduced revenue.

The global and domestic economic environment may negatively affect frequency of Guest visits and average ticket spend at our restaurants, which would negatively affect our revenues and our results of operations.

The global and domestic economic environment affects the restaurant industry and may negatively affect us directly and indirectly through our customers, distributors, and suppliers. These conditions include unemployment, weakness and lack of consistent improvement in the housing markets, downtrend or delays in residential or commercial real estate development, volatility in the U.S. stock market and in other financial markets, inflationary pressures, wage rates, tariffs and other trade barriers, reduced access to credit or other economic factors that may affect consumer confidence. As a result, our Guests may be apprehensive about the economy and maintain or further reduce their level of discretionary spending. This could affect the frequency with which our Guests choose to dine out or the amount they spend on meals, thereby decreasing our revenues and potentially negatively affecting our operating results. Also, our Guests may choose to purchase food at supermarkets or other food retailers. We believe there is a risk that prolonged uncertain economic conditions might cause consumers to make long-lasting changes to their discretionary spending behavior, including dining out less frequently or at lower priced restaurants on a more permanent basis, which would have a negative effect on our profitability as we spread fixed costs across a lower level of sales.

Changes in consumer buying patterns, particularly due to declines in traffic near our leased locations, and the increase in popularity of e-commerce sites and off premise sales, may affect our revenues, operating results, and liquidity.

The success of our restaurants depends in large part on leased locations. Our restaurants are primarily located near high density retail areas such as regional malls, lifestyle centers, big box shopping centers, and entertainment centers. We depend on a high volume of visitors at these centers to attract Guests to our restaurants. As demographic and economic patterns change, current locations may or may not continue to be attractive or profitable. E-Commerce or online shopping continues to increase and negatively impact consumer traffic at traditional “brick and mortar” retail sites located in regional malls, lifestyle centers, big box shopping centers and entertainment centers. A decline in development or closures of businesses in these settings or a decline in visitors to retail areas near our restaurants could negatively affect our restaurant sales. In addition, desirable locations for the relocation of existing restaurants may not be available at an acceptable cost, due in part to the inability to easily terminate a long-term lease.

In the last several years, off premise sales, specifically delivery, have increased due to consumer demand for convenience. While we plan to continue to invest in the growth of our online, to-go, catering, and delivery services to drive off premise sales, there can be no guarantee we will be able to continue to increase our off-premise sales. Off premise sales could also cannibalize dine in sales, or our systems and procedures may not be sufficient to handle off premise sales, which may require additional investments in technology or people. Additionally, a large percentage of delivery from our restaurants is through third party delivery companies. These third-party delivery companies require us to pay them a commission, which lowers our profit margin on those sales. Any bad press, whether true or not, regarding third party delivery companies or their business model may negatively impact our sales. While we plan to introduce an alternative to third party delivery by offering an online Company platform to collect orders and outsource the “last mile” of delivery, we may not be able to convert Guests to our platform and that model remains subject to some of the same risks.

Our operations are susceptible to the changes in cost and availability of commodities which could negatively affect our operating results.

Our profitability depends in part on our ability to anticipate and react to changes in commodity costs. Various factors beyond our control, including adverse weather conditions, governmental regulation and monetary policy, potential imposition of tariffs on imports from other countries, product availability, recalls of food products, and seasonality, as well as the effects of the current macroeconomic environment on our suppliers, may affect our commodity costs or cause a disruption in our supply chain. In an effort to mitigate some of this risk, we enter into fixed price agreements on some of our food and beverage products, including certain proteins, produce and cooking oil. As of the end of 2019, approximately 60% of our estimated 2020 annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through 2021. Changes in the price or availability of commodities for which we do not have fixed price contracts could have a material adverse effect on our profitability. Expiring contracts with our food suppliers could also result in unfavorable renewal terms and therefore increase costs associated with these suppliers or may necessitate negotiations with alternate suppliers. Although the majority of our commodities are sourced domestically, changes in trade policy and tariffs could negatively impact our commodity costs. We may be unable to obtain favorable contract terms with suppliers or adjust our purchasing practices and menu prices to respond to changing food costs, and a failure to do so could negatively affect our operating results.

We may experience interruptions in the delivery of food and other products from third parties.

Our restaurants depend on frequent deliveries of fresh produce, food, beverage and other products. This subjects us to the risk of interruptions in food and beverage supplies that may result from a variety of causes including, but not limited to, outbreaks of food-borne illness, disruption of operation of production facilities, the financial difficulties, including bankruptcy of our suppliers or other unforeseen circumstances. Such shortages could adversely affect our revenue and profits. Our restaurants bear risks associated with the timeliness of deliveries by suppliers and distributors as well as the solvency, reputation, labor relationships, freight rates, and health and safety standards of each supplier and distributor. Other significant risks associated with our suppliers and distributors include improper handling of food and beverage products and/or the adulteration or contamination of such food and beverage products.

Price increases may negatively affect Guest visits.

We may make future price increases, primarily to offset increased costs and operating expenses. We cannot provide assurance that any future price increases will not deter Guests from visiting our restaurants, reduce the frequency of their visits, or affect their purchasing decisions.

New or improved technologies or changes in consumer behavior facilitated by these technologies could negatively affect our business.

Advances in technologies or certain changes in consumer behavior driven by such technologies could have a negative effect on our business. Technology and consumer offerings continue to develop, and we expect new or enhanced technologies and consumer offerings will be available in the future. We may pursue certain of those technologies and consumer offerings if we believe they offer a sustainable Guest proposition and can be successfully integrated into our business model. However, we cannot predict consumer acceptance of these delivery channels or their impact on our business. In addition, our competitors, some of whom have greater resources than us, may be able to benefit from changes in technologies or consumer acceptance of such changes, which could harm our competitive position. There can be no assurance we will be able to successfully respond to changing consumer preferences, including with respect to new technologies or to effectively adjust our product mix, service offerings, and marketing initiatives for products and services that address, and anticipate advances in, technology, and market trends. If we are not able to successfully respond to these challenges, our business, financial condition, and operating results could be harmed.

If there is a material failure in our information technology systems, our business operations and profits could be negatively affected, and our systems may be inadequate to support our future growth strategies.

We rely heavily on information technology systems in all aspects of our operations including our restaurant point-of sale systems, financial systems, marketing programs, employee engagement, supply chain management, cyber-security, and various other processes and transactions. Our ability to effectively manage and run our business depends on the reliability and capacity of our information technology systems, including technology services and systems for which we contract from third parties. These systems and services may be insufficient to effectively manage and run our business. These systems and our business needs will continue to evolve and require upgrading and maintenance over time, consequently requiring significant future commitments of resources and capital.

Moreover, these technology services and systems, communication systems, and electronic data could be subject or vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, loss of data, data breaches, or other attempts to harm our systems. See "*-A privacy or security breach involving our information technology systems or the failure of our data security measures could interrupt our business, damage our reputation, and negatively affect our operations and profits*" above. A failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or any other failure to maintain a continuous and secure information technology network for any of the above reasons could result in interruption and delays in Guest services, adversely affect our reputation, and negatively impact our results of operations.

Expanding our restaurant base is a component of our long-term growth and our ability to open and profitably operate new restaurants is subject to factors beyond our control.

The expansion of our restaurant base depends in large part on our ability and the ability of our franchisees to timely and efficiently open new restaurants and to operate these restaurants on a profitable basis. Delays or failures in opening new restaurants, or the inability to profitably operate them once opened, could materially and adversely affect our planned growth. The success of our expansion strategy and the success of new restaurants depends upon numerous factors, many of which are beyond our control, including the following:

- changes to our volatility in the macroeconomic environment nationally and regionally, which could affect restaurant-level performance and influence our decisions on the rate of expansion, timing, and the number of restaurants to be opened;
- competition in our markets and general economic conditions that may affect consumer spending or choice;
- identification of and ability to secure an adequate supply of available and suitable restaurant sites;
- timely adherence to development schedules;
- cost and availability of capital to fund restaurant expansion and operation;
- negotiation of favorable lease and construction terms;
- the availability of construction materials and labor;
- our ability to manage construction and development costs of new restaurants;
- unforeseen environmental problems with new locations;
- securing required governmental approvals and permits, including liquor licenses, in a timely manner or at all;
- our ability to locate, hire, train, and retain qualified operating Team Members to staff our new restaurants, especially managers;
- our ability to attract and retain Guests;
- weather, natural disasters, and other calamities; and
- our ability to operate at acceptable profit margins.

We are subject to the risks presented by acquisitions or refranchising.

As part of our expansion efforts, we have acquired some of our franchised restaurants in the past. In the future, we may, from time to time, consider opportunistic acquisitions or dispositions of restaurants. We may in the future pursue refranchising with quality operators in certain identified markets. Any future acquisitions or dispositions will be accompanied by the risks commonly encountered in acquisitions. These risks include among other things:

- the difficulty of integrating operations and Team Members;
- the potential disruption to our ongoing business;
- the potential distraction of management;
- the effect on selling, general, and administrative expenses and earnings;
- the inability to maintain uniform standards, controls, procedures and policies; and
- the impairment of relationships with Team Members and Guests as a result of changes in ownership and management.

New or less mature restaurants, once opened, may vary in profitability and levels of operating revenue for six months or more.

New and less mature restaurants typically experience higher operating costs in both dollars and percentage of revenue initially when compared to restaurants in the comparable restaurant base. There is no assurance new restaurants in the future will continue to experience success. It takes approximately six months or more for new restaurants to reach normalized operating levels due to inefficiencies and other factors typically associated with new restaurants. These factors include operating costs, which are often significantly greater during the first several months of operation, and fluctuating Guest counts at new locations, as well as competition from our competitors or our own restaurants, consumer acceptable of our restaurants in new markets and lack of market awareness of our brand in a new market. Further, there is no assurance our less mature restaurants will attain operating results similar to those of our existing restaurants.

The large number of Company-owned restaurants concentrated in the western United States makes us susceptible to changes in economic and other trends in that region.

As of December 29, 2019, a total of 180 or 39.6% of our 454 Company-owned restaurants, representing 46.0% of restaurant revenue, were located in the Western United States (i.e., Arizona, California, Colorado, Nevada, Oregon, Idaho, New Mexico, Utah, and Washington state). As a result of our geographic concentration, negative publicity regarding any of our restaurants in the western United States, as well as regional differences in the legal, regulatory, and litigation environment, 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, earthquakes, fires, or other natural disasters.

Our revenues and operating results may fluctuate significantly due to various risks and unexpected circumstances, including increases in costs, seasonality, weather, and other factors outside our control.

We are subject to a number of significant risks that might cause our actual quarterly and annual results to fluctuate significantly or be negatively affected. These risks include but are not limited to: extended periods of inclement weather which may affect Guest visits as well as limit the availability and cost of key commodities such as beef, poultry, potatoes, and other items that are important ingredients in our products; material disruptions in our supply chain; changes in borrowings and interest rates; changes to accounting methods or principles; impairment of long-lived assets, including goodwill, and losses on restaurant closures; and unanticipated expenses from natural disasters and repairs to damaged or lost property.

Moreover, our business fluctuates seasonally. 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 or year 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.

We rely on our senior executive team for the development and execution of our business strategy and the loss of any member of our senior executive team could negatively affect our operating results.

Key members of our senior executive management team are central to our success and difficult to replace. We may be unable to retain them or attract other highly qualified senior executives, particularly if we do not offer competitive employment terms. The loss of the services of any of our key senior executives or the failure to implement an appropriate succession plan could prevent us from achieving our business strategy and initiatives, which could adversely affect our operating results.

If we are unable to successfully recruit and retain qualified restaurant management and operating Team Members in an increasingly competitive market, we may be unable to effectively operate and grow our business and revenues, which could materially adversely affect our financial performance.

We must continue to attract, retain, and motivate a sufficient number of qualified management and operating Team Members to provide the desired Guest and Team Member experience in our restaurants or deliver on our strategy. Qualified management and operating Team Members are currently in high demand. If we are unable to attract and retain qualified people, especially at the General Manager level, our restaurants could be short staffed, we may be forced to incur overtime expenses, hourly Team Member turnover could increase, and our ability to operate our restaurants and roll out new service model and technology solutions effectively could be limited, and the Guest experience could be negatively affected, leading to a decline in traffic and sales.

Our franchisees could take actions that could harm our business, expose us to liability or damage our reputation.

Franchisees are independent entities and are not our employees, partners, or affiliates. We share with our franchisees what we believe to be best practices in the restaurant industry; however, franchisees operate their restaurants as independent businesses. Consequently, the quality of franchised restaurant operations may be diminished by any number of factors beyond our control. Moreover, 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 Team Members. In addition, as independent businesses, franchisees may not be required to comply with the same levels of business or regulatory compliance we are. While we try to ensure the quality of our brand and compliance with our operating standards, and the confidentiality thereof, are maintained by all of our franchisees, we cannot provide assurance our franchisees will avoid actions that negatively affect the reputation of Red Robin or the value of our proprietary information. Our image and reputation and the image and reputation of other franchisees may suffer materially, and system-wide sales could significantly decline if our franchisees do not operate restaurants according to our standards.

Further, we are subject to federal and state laws that regulate the offer and sale of franchises and aspects of the licensor-licensee relationship. Also, there may be circumstances in which we may be held liable for the actions of our franchisees. In a 2014 action, the National Labor Relations Board (NLRB) alleged McDonald’s USA, LLC (the parent-franchisor company for McDonald’s restaurants) could be jointly liable for labor and wage violations by its franchisees. Although the parties reached a proposed settlement in March 2018, the administrative law judge in the action rejected the proposed settlement in July 2018. If the action is not settled and results in an adverse outcome against McDonald’s USA, liability for franchisees’ overtime, wage, or union-organization violations could be pursued against us. Failure to comply with the laws and regulations governing our franchisee relationships or adverse decisions similar to the above-described NLRB action could subject us to liability for actions of the franchisees, or expose us to liability to franchisees, or fines and penalties for non-compliance.

Decreased cash flow from operations, or an inability to access credit could negatively affect our business initiatives or may result in our inability to execute our revenue, expense, and capital deployment strategies.

Our ability to fund our operating plans and to implement our capital deployment strategies depends on sufficient cash flow from operations or other financing, including using funding under our revolving credit agreement. Our capital deployment strategies include but are not limited to paying down debt, new restaurant development, investment in technology, investment in advertising, repurchases of our stock, and franchise expansion. If we experience decreased cash flow from operations, our ability to fund our operations and planned initiatives, and to take advantage of growth opportunities, may be delayed or negatively affected. In addition, these disruptions and any resulting negative effect on our net income, cash flows, or other relevant financial performance metrics under our revolving credit facility could affect our ability to borrow or comply with our covenants under that facility. Moreover, any repurchase by us of our shares of common stock will further reduce cash available for operations and future growth, as well as debt repayment.

Our future success depends on our ability to protect our intellectual property.

Our business prospects will depend in part on our ability to protect our proprietary information and intellectual property, including the Red Robin, Red Robin Gourmet Burgers®, Red Robin America’s Gourmet Burgers & Spirits®, Red Robin Burger Works®, “YUMMM®”, Red Robin Gourmet Burgers and Brews™, and Red Robin Royalty™ names and logos. We have registered or filed applications for trademarks for these names and logos, among others, with the United States Patent and Trademark Office and in Canada and we have applied to register various trademarks in certain other international jurisdictions. Our trademarks could be infringed in ways that leave us without redress, such as by imitation or by filings by others in jurisdictions where we are not currently registered. In addition, we rely on trade secrets and proprietary know-how in operating our restaurants, and we employ various methods to protect these trade secrets and proprietary know-how. 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. Consequently, our business could be negatively affected and less profitable if we are unable to successfully defend and protect our intellectual property.

Food safety and food-borne illness concerns, and any related unfavorable publicity could have an adverse effect on our business.

We dedicate substantial resources to ensuring our Guests enjoy safe, quality food products. Nonetheless, restaurant businesses such as ours can be adversely affected by publicity resulting from complaints or litigation regarding poor food quality, food-borne illness, personal injury, food tampering, communicable disease, adverse health effects of consumption of various food products or high-calorie foods, or other concerns. Food safety issues also could be caused by food suppliers or distributors and, as a result, could be out of our control. Regardless of the source or cause, any report of food-borne illnesses such as E. coli, norovirus, listeria, hepatitis A, salmonella, or trichinosis, as well as other food safety issues including food tampering or contamination, at one of our or a franchisee's restaurants, could adversely affect our reputation and have a negative impact on our sales. The occurrence of food safety issues could also adversely affect the price and availability of affected ingredients, resulting in higher costs and lower margins.

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

Consumer preferences could be affected by health concerns about food-related illness, the consumption of beef (which is the key ingredient in many of our menu items), or negative publicity or publication of government or industry findings concerning food quality, illness, and injury. Further, consumers may react negatively to reports concerning our food products or health or other concerns or operating issues stemming from one or more of our restaurants. Such negative publicity, whether or not valid, may negatively affect demand for our food and could result in decreased Guest traffic to our restaurants. 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 and negatively affect our profitability.

Our business could be adversely affected by increased labor costs, including costs related to the increase in minimum wage and new heath care laws.

Labor is a primary component in the cost of operating our business. Increased labor costs, whether due to competition, unionization, increased minimum and tip wage, state unemployment rates, employee benefits costs, or otherwise, may adversely impact our operating expenses. A considerable amount of our restaurant Team Members are paid at rates related to the federal, state, or local minimum wage. Further, we have a substantial number of restaurants located in states or municipalities where the minimum wage is greater than the federal minimum wage, including California, Washington, Oregon, and New York. For example, California enacted legislation that increased its minimum wage through a series of annual rate increases, from $10.50 an hour in January 2017 to $15 an hour in January 2022. In addition, some California localities currently mandate wages higher than $15 an hour. We anticipate additional legislation increasing minimum wage standards will be enacted in future periods and in other jurisdictions.

In the past, many of our eligible Team Members chose not to participate in our Company-sponsored health care plans for various reasons, but we expect to continue to see increased costs due to the impact of changes in the health care laws, including as a result of any repeal, replacement or other significant modifications of The Patient Protection and Affordable Care Act of 2010 (the "PPACA"). Our distributors and suppliers also may be affected by higher minimum wage or health care costs, which could result in higher costs for goods and services supplied to us. In addition, a shortage in the labor pool or other general inflationary pressures or changes could also increase our labor costs. In the past, we have been able to offset increases in labor costs by improving our productivity or changing staffing models in our restaurants or by taking gradual increases in pricing, but there is no guarantee we can continue to do so in the future. If our labor costs increase and we are not able to offset costs through productivity or efficiency gains from changing staffing models, or to pass along the costs in the form of increased prices to our Guests, then it could have a material adverse effect on our results of operations. Further, changes to our staffing models in our restaurants due to labor costs or any labor shortages, could negatively impact our ability to provide adequate service levels to our Guests, which could result in adverse Guest reactions and a possible reduction in Guest traffic at our restaurants.

Our failure to remain in compliance with governmental laws and regulations as they continually evolve, and the associated costs of compliance, could cause our business results to suffer.

Our business is subject to various federal, state, and local government laws and regulations, including, among others, those relating to our employees, public health and safety, food safety, alcoholic beverage control, public accommodations, financial and disclosure reporting and controls, and consumer health regulations, including those pertaining to nutritional content and menu labeling such as the Affordable Care Act, which requires restaurant companies such as ours to disclose calorie information on their menus. These laws and regulations continually evolve and change, and compliance may be costly and time-consuming. Moreover, we may fail to maintain compliance with all laws and regulations despite our best efforts. Changes in applicable laws and regulatory requirements, or failure to comply with them could result in, among other things, increased exposure to litigation, administrative enforcement actions or governmental investigations or proceedings; revocation of required licenses or approvals; fines; and civil and criminal liability. These negative consequences could increase the cost of or interfere with our ability to operate our business and execute our strategies.

Various federal, state, and local employment laws govern our relationship with our Team Members and affect operating costs. These laws govern employee classification, wage rates, fair scheduling and payment requirements including tip credit laws and overtime pay, meal and rest breaks, unemployment and other taxes, health care and benefits, workers' compensation rates, citizenship or residency requirements, labor relations, child labor regulations, and discriminatory conduct. Changes in these laws or our failure to comply with enforcement requirements could require changes to our operations that could harm our operating results. For example, although we require all of our Team Members to provide us with the government-specified documentation evidencing their employment eligibility, some of our Team Members, without our knowledge, may not meet federal citizenship or residency requirements, which could lead to a disruption in our work force. A number of other factors could adversely affect our operating results, including:

- additional government-imposed increases in minimum and/or tipped wages, overtime pay, paid leaves of absence, sick leave, and mandated health benefits;
- increased tax reporting and tax payment requirements for employees who receive gratuities;
- a reduction in the number of states that allow gratuities to be credited toward minimum wage requirements; and
- increased employee litigation including claims under federal and/or state wage and hour laws, including the WARN Act.

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 such intoxicated person. Failure to comply with alcoholic beverage control or dram shop regulations could subject us to liability and could negatively affect our business.

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

As a member of the restaurant industry, we are sometimes the subject of complaints or litigation, including class action lawsuits, from Guests alleging illness, injury, or other food quality, health, or operational concerns. Negative publicity resulting from these allegations could harm our restaurants, regardless of whether the allegations are valid or whether we are liable. In addition, we are subject to the same risks of negative publicity resulting from these sorts of allegations even if the claim actually involves one of our franchisees.

Any failure by us to comply with the various federal and state labor laws governing our relationship with our Team Members including requirements pertaining to minimum wage, overtime pay, meal and rest breaks, unemployment tax rates, workers’ compensation rates, citizenship or residency requirements, child labor regulations, and discriminatory conduct, may have a material adverse effect on our business or operations. We have been subject to such claims from time to time. The possibility of a material adverse effect on our business relating to employment litigation is even more pronounced given the high concentration of Team Members employed in the western United States, as this region, and California in particular, has a substantial amount of legislative and judicial activity pertaining to employment-related issues. 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.

Labor organizing could adversely affect our operations and harm our competitive position in the restaurant industry, which could harm our financial performance.

Our employees or others may attempt to unionize our workforce, establish boycotts or picket lines or interrupt our supply chains which could increase our labor costs, limit our ability to manage our workforce effectively, and cause disruptions to our operations. A loss of our ability to effectively manage our workforce and the compensation and benefits we offer to our staff members could harm our financial performance.

Our current insurance may not provide adequate levels of coverage against claims.

There are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure against. Such losses could have a material adverse effect on our business and results of operations. In addition, we self-insure a significant portion of expected losses under our employee health, workers’ compensation, general liability, property and cyber insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses could result in materially different amounts of expense under these programs, which could have a material adverse effect on our financial condition, results of operations and liquidity. Failure to obtain and maintain adequate directors’ and officers’ insurance could materially adversely affect our ability to attract and retain qualified officers and directors.

Risks Related to Owning Our Stock

The market price of our common stock is subject to volatility, which has and may continue to attract the interest of activist stockholders.

During fiscal 2019, the price of our common stock fluctuated between $24.57 and $36.85 per share. The market price of our common stock may be significantly affected by a number of factors, including, but not limited to, actual or anticipated variations in our operating results or those of our competitors as compared to analyst expectations, changes in financial estimates by research analysts with respect to us or others in the restaurant industry, and announcements of significant transactions (including mergers or acquisitions, divestitures, joint ventures or other strategic initiatives) by us or others in the restaurant industry. In addition, the equity markets have experienced price and volume fluctuations that affect the stock price of companies in ways that have been unrelated to an individual company's operating performance. The price of our common stock may continue to be volatile, based on factors specific to our company and industry, as well as factors related to the equity markets overall. Moreover, such volatility has recently and may continue to attract the interest of activist stockholders. Responding to activist stockholders can be costly and time-consuming, and the perceived uncertainties as to our future direction resulting from responding to activist strategies could itself then further affect the market price and volatility of our common stock.

Any failure to repurchase the Company's stock up to the maximum amounts permitted under our previously announced repurchase program may negatively impact investor perception of us and may affect the market price and volatility of our stock.

Our stock repurchase program may require us to use a significant portion of our cash flow from operations and/or may require us to incur indebtedness utilizing our existing credit facility or some other form of debt financing. Our ability to repurchase stock will depend on our ability to generate sufficient cash flows from operations, as supplemented by proceeds from the exercise of employee stock options and our capacity to borrow funds, which may be subject to economic, financial, competitive and other factors that are beyond our control. The inability to complete stock repurchases under our previously announced repurchase program may negatively impact investor perception of us and may therefore affect the market price and volatility of our stock.

Provisions in our shareholder rights plan may discourage potential acquirers of the Company.

We have adopted a shareholder rights plan, which provides, among other things, that when specified events occur, our stockholders will be entitled to purchase from us shares of junior preferred stock. The shareholder rights plan is currently scheduled to expire on June 2, 2020, but the expiration date will be extended until June 2, 2021 if the plan is ratified by our stockholders at the 2020 Annual Meeting of Stockholders. The preferred stock purchase rights are triggered upon the earlier of (x) ten business days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 10% (20% in the case of a passive institutional investor) or more of our outstanding common stock or (y) such date as may be determined by the board following the commencement of, or public announcement of an intention to make, a tender or exchange offer, the consummation of which would result in any person or group acting in concert acquiring beneficial ownership of 10% (20% in the case of a passive institutional investor) or more of our outstanding common stock. The preferred stock purchase rights would cause dilution to a person or group that attempts to acquire the Company without the approval of our board of directors. Although our shareholder rights plan is intended to encourage an acquiring person to negotiate a proposed merger or other business combination with our board of directors and management, it could discourage a takeover transaction that stockholders may consider favorable and may lead to an entrenchment of management. Our shareholder rights plan may give our current directors and executive officers a substantial ability to influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our stockholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our securities could decline.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We currently lease the real estate for most of our Company-owned restaurant facilities under operating leases with remaining terms ranging from less than one year to over 15 years excluding options to extend. These leases generally contain options which permit us to extend the lease term at an agreed rent or at prevailing market rates. Certain leases provide for contingent rents, which are determined as a percentage of adjusted gross restaurant sales in excess of specified levels. Contingent rental payments are recognized as a variable lease expense when specified levels have been achieved or when management determines achieving the specified levels during the year is probable. Certain lease agreements also require the Company to pay maintenance, insurance, and property tax costs.

We own real estate for 37 Company-owned restaurants located in Arizona (4); Arkansas (1); California (1); Colorado (4); Florida (1); Georgia (1); Illinois (1); Indiana (1); Maryland (1); Missouri (1); North Carolina (3); Ohio (4); Pennsylvania (3); Texas (5); Virginia (4); and Washington (2).

Our corporate headquarters is located in Greenwood Village, Colorado. We occupy this facility under a lease that expires on May 31, 2025. We operate a test kitchen and training facility located in Englewood, Colorado under a lease that expires May 31, 2025.

Our existing prototype for new Red Robin restaurants is approximately 4,500 to 5,800 square feet with a capacity of approximately 145 to 200 seats. We develop restaurants under ground leases on which we build our own restaurant in addition to using in-line, end cap, and mall locations. As of December 29, 2019, our restaurant locations comprised approximately 2.8 million square feet.

ITEM 3. Legal Proceedings

Evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events and the ultimate resolution of litigated claims may differ from our current analysis. Accordingly, we review the adequacy of accruals and disclosures each quarter in consultation with legal counsel and we assess the probability and range of possible losses associated with contingencies for potential accrual in the consolidated financial statements.

On July 14, 2017, a current hourly employee filed a class action lawsuit alleging that the Company failed to provide required meal breaks and rest periods and failed to reimburse business expenses, among other claims. The case is styled *Manuel Vigueras v. Red Robin International, Inc.* and is currently pending before the United States District Court in Santa Ana, California. Trial is expected to commence on or about February 25, 2020. In a related action, on September 21, 2017, a companion case, styled *Genny Vasquez v. Red Robin International, Inc.* was filed and is currently pending in California Superior Court in Santa Ana, California and involves claims under the California Private Attorneys' General Act ("PAGA") that partially overlap in the claims made in the *Vigueras* matter. Trial for that case is expected to commence on April 13, 2020. We believe we have meritorious defenses to each of the claims in these lawsuits and intend to defend vigorously these allegations. However, there can be no assurance we will be successful, and an adverse resolution of any one of these cases could have a material adverse effect on our consolidated financial position and results of operations in the period in which the case is resolved.

In the normal course of business, there are various claims in process, matters in litigation, and other contingencies. These include employment related claims and claims from Guests or Team Members alleging illness, injury, food quality, health, or operational concerns. To date, no claims of these types of litigation, certain of which are covered by insurance policies, have had a material effect on the Company. While it is not possible to predict the outcome of these suits, legal proceedings, and claims with certainty, management is of the opinion that adequate provision for potential losses associated with these matters has been made in the financial statements and that the ultimate resolution of these matters will not have a material adverse effect on our financial position and results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on The NASDAQ Global Select Market under the symbol RRGB. As ofFebruary 25, 2020, there were 92 registered owners of our common stock.

Dividends

We did not declare or pay any cash dividends on our common stock during2019 and 2018. We currently anticipate we will retain any future cash flow to fund our operations and expand our business, to pay down debt or to repurchase shares. In addition, our credit agreement may limit us from declaring or paying any dividends or making any other repurchases on any of our shares under certain circumstances, and we are subject to the leverage ratio under our credit agreement.

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.

Issuer Purchases of Equity Securities

During the fiscal quarter ended December 29, 2019, the Company did not have any sales of securities in transactions that were not registered under the Securities Act that have not been reported in a Current Report on Form 8-K. On August 9, 2018, the Company’s board of directors authorized an increase to the Company’s share repurchase program of approximately $21 million to a total of $75 million of the Company’s common stock. The increased share repurchase authorization will terminate upon completing repurchases of $75 million of common stock unless otherwise terminated by the board. Purchases under the repurchase program may be made in open market or privately negotiated transactions and may include transactions pursuant to a repurchase plan administered in accordance with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended. Purchases may be made from time to time at the Company’s discretion, and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors. The repurchase program does not obligate the Company to acquire any particular amount of common stock, and the Company may suspend or discontinue the repurchase program at any time. The table below provides a summary of the Company's purchases of its own common stock during the fourth quarter of 2019.

Period[(1)]	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares (or Units) that May Yet be Purchased Under the Plan (in thousands)
10/7/19-11/3/19	12,000	$ 31.60	131,600	$ 70,713
11/4/19-12/1/19	11,400	27.39	143,000	70,401
12/2/19-12/29/19	11,400	$ 28.53	154,400	$ 70,075
Pursuant to Publicly Announced Plans or Programs[(2)]	34,800			

(1) The reported periods conform to the Company's fiscal calendar composed of thirteen 28-day periods.

(2) From August 9, 2018, when the increase in the share repurchase program was authorized through December 29, 2019, the Company has purchased 154,400 shares for a total of $4.9 million. As of August 9, 2018 when the increase was authorized, the program had a remaining authorized purchase limit of $ 53.9 million out of the $100.0 million prior authorization from February 2016.

Performance Graph

The following graph compares the yearly percentage in cumulative total stockholders’ return on Common Stock of the Company since December 26, 2014, with the cumulative total return over the same period for (i) The Russell 3000 Index, and (ii) the S&P 600 Restaurants.

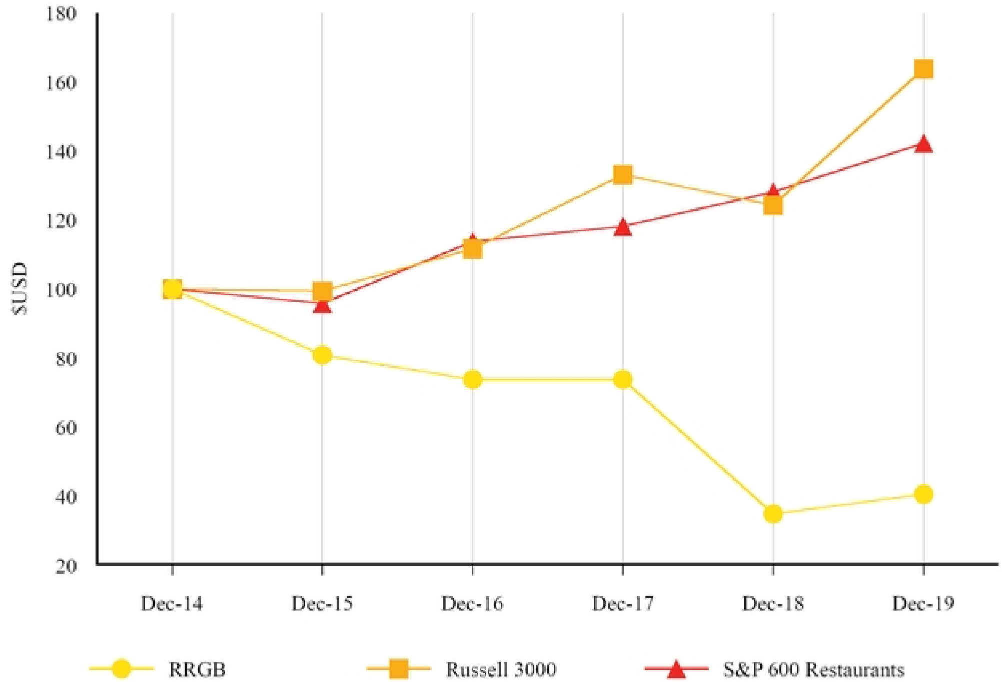
Pursuant to rules of the SEC, the comparison assumes $100 was invested on December 26, 2014, the last trading day in the Company’s 2014 fiscal year, in the Company’s Common Stock and in each of the indices.

This performance graph shall not be deemed to be “soliciting material” or to be “filed” under either the Securities Act or the Exchange Act.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN[1]

Among Red Robin Gourmet Burgers, Inc., The Russell 3000 Index

and S&P 600 Restaurants Index



	Fiscal Years Ended					
	December 28, 2014	December 27, 2015	December 25, 2016	December 31, 2017	December 30, 2018	December 29, 2019
Red Robin Gourmet Burgers, Inc. (RRGB)	$ 100.00	$ 80.92	$ 73.87	$ 73.80	$ 34.96	$ 40.60
The Russell 3000 Index	100.00	99.47	111.67	133.09	124.34	163.81
S&P 600 Restaurants[2]	100.00	95.87	113.84	118.17	128.14	142.30

(1) Represents performance of $100 invested on December 29, 2014 in stock or index, including reinvestment of dividends based on calendar years ending December 31 for purposes of comparability.

(2) The S&P 600 Restaurants includes companies such as Bloomin' Brands Inc., Chuy's Holdings Inc., Dine Brands Global, Inc., and Fiesta Restaurant Group, Inc.

ITEM 6. Selected Financial Data

The table below contains selected consolidated financial and operating data. The statement of operations and comprehensive income (loss), cash flow, and balance sheet data for each fiscal year has been derived from our consolidated financial statements. This selected financial data should be read 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 Annual Report on Form 10-K.

	Fiscal Year				
	2019	2018	2017	2016	2015
(in thousands, except per share and operating data)	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)
Statement of Operations Data:					
Revenue:					
Restaurant revenue	$ 1,289,521	$ 1,316,209	$ 1,365,060	$ 1,280,669	$ 1,238,898
Total revenues[1]	1,315,014	1,338,563	1,387,566	1,303,187	1,265,215
Total costs and expenses[2][3][4][5][6]	1,328,141	1,349,048	1,348,534	1,291,617	1,198,170
(Loss) income from operations	(13,127)	(10,485)	39,032	11,570	67,045
Net (loss) income	(7,903)	(6,419)	30,019	11,725	47,704
(Loss) earnings per share:					
Basic	$ (0.61)	$ (0.49)	$ 2.33	$ 0.88	$ 3.40
Diluted	$ (0.61)	$ (0.49)	$ 2.31	$ 0.87	$ 3.36
Shares used in computing earnings per share:					
Basic	12,959	12,976	12,899	13,332	14,042
Diluted	12,959	12,976	12,998	13,462	14,216
Balance Sheet Data:					
Cash and cash equivalents	$ 30,045	$ 18,569	$ 17,714	$ 11,732	$ 22,705
Total assets	1,237,580	843,941	910,615	918,545	839,979
Long-term debt, including current portion	206,875	203,575	277,313	347,838	210,847
Total stockholders’ equity	$ 360,520	$ 382,805	$ 387,435	$ 348,053	$ 374,311
Cash Flow Data:					
Net cash provided by operating activities	$ 57,915	$ 126,295	$ 156,607	$ 98,957	$ 140,923
Net cash used in investing activities	(57,030)	(49,836)	(83,290)	(199,379)	(169,111)
Net cash provided by (used in) financing activities	$ 9,678	$ (74,298)	$ (67,924)	$ 89,333	$ 28,767
Selected Operating Data:					
Net sales per square foot in Company-owned restaurants	$ 439	$ 441	$ 461	$ 449	$ 466
Total operating weeks[7]	24,707	25,165	25,038	23,799	22,006
Company-owned restaurants open at end of period	454	484	480	465	439
Franchised restaurants open at end of period	102	89	86	86	99
Comparable restaurant net sales (decrease) increase[8][9]	(0.6)%	(2.6)%	0.7%	(3.3)%	2.1%

(1) Franchise and other revenue for 2015 was previously reported as $18.7 million with Topic 606 (Revenue from Contracts with Customers) adoption adjustments of $7.6 million, resulting in an adjusted amount of $26.3 million.

(2) 2019 includes pre-tax non-cash asset impairment charges of $15.1 million primarily related to the impairment of 29 restaurants, $3.5 million of executive transition costs, $3.3 million of board and stockholder matter costs, $1.0 million

of executive retention costs, and a $1.2 million gain relating to restaurant closures and refranchising. See Note 4, *Other Charges*, for additional discussion of the assets impaired during 2019.

(3) 2018 includes pre-tax non-cash asset impairment charges of $28.1 million related to the impairment of 41 restaurants, 19 of which had immaterial impairments, $4.8 million related to litigation costs, and $2.9 million related to the disposal of smallwares.

(4) 2017 includes pre-tax non-cash asset impairment charges of $6.9 million related to the impairment of 13 restaurants.

(5) 2016 includes pre-tax non-cash asset impairment charges of $24.4 million related to the impairment of 19 restaurants, $2.5 million related to software impairment, and $0.8 million related to the relocation of a restaurant. 2016 also includes pre-tax costs of $6.7 million related to the closure of nine Red Robin Burger Works restaurants, $3.9 million related to litigation costs, and $0.7 million related to acquiring 13 franchised restaurants.

(6) 2015 includes pre-tax non-cash asset impairment charges of $0.6 million related to the impairment of two restaurants.

(7) Total operating weeks represent the number of weeks that the Company-owned restaurants were open during the reporting period.

(8) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Revenues" for a further discussion of our comparable restaurant designation.

(9) Comparable restaurant sales decrease and average annual comparable restaurant sales volumes for 2018 were calculated on a 52-week basis by adjusting fiscal 2017 to exclude the first week of 2017. Comparable restaurant sales decrease and average annual comparable restaurant sales volumes for 2017 were calculated on a 53-week basis by adjusting fiscal year 2016 as if there were 53 weeks.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations provides a narrative of our financial performance and condition that should be read in conjunction with the accompanying consolidated financial statements. All comparisons under this heading between 2019 and 2018 refer to the fifty-two week periods ending December 29, 2019 and December 30, 2018, respectively, unless otherwise indicated.

Overview

Description of Business

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin," "we," "us," "our" or the "Company"), primarily operates, franchises, and develops full-service restaurants with 556 locations in North America. As of December 29, 2019, the Company operated 454 Company-owned restaurants located in 38 states. The Company also had 102 franchised full-service restaurants in 16 states and one Canadian province as of December 29, 2019. The Company operates its business as one operating and one reportable segment.

Our primary source of revenue is from the sale of food and beverages at Company-owned restaurants. We also earn revenue from royalties and fees from franchised restaurants.

The Company's fiscal year ends on the last Sunday of each calendar year. Most of our fiscal years have 52 weeks; however, we experience a 53rd week once every five to six years. Our discussions for fiscal years 2019 and 2018 both refer to 52 week fiscal years.

Financial and Operational Highlights

The following summarizes the financial and operational highlights during the fifty-two weeks ended December 29, 2019:

- *Financial performance.*
    - Restaurant revenue decreased $26.7 million, or 2.0%, to $1.3 billion for the 52 weeks ended December 29, 2019, as compared to the 52 weeks ended December 30, 2018, due to a $20.2 million decrease from closed restaurants and a $7.7 million, or 0.6%, decrease in comparable restaurant revenue, partially offset by a $1.2 million increase from newly opened restaurants in their first full year of operations.
    - Restaurant operating costs, as a percentage of restaurant revenue, increased 110 basis points to 82.1% for the 52 weeks ended December 29, 2019, as compared to 81.0% for the 52 weeks ended December 30, 2018. The increase was primarily due to a 70 basis point increase in labor costs and a 70 basis point increase in other operating costs, partially offset by a 30 basis point decrease in cost of sales.
    - Net loss was $7.9 million for the 52 weeks ended December 29, 2019 compared to net loss of $6.4 million for the 52 weeks ended December 30, 2018. Diluted loss per share was $0.61 for the 52 weeks ended

December 29, 2019, as compared to diluted loss per share of $0.49 for the 52 weeks ended December 30, 2018. Excluding costs per diluted share included in Other charges of $0.86 for asset impairment, $0.19 for executive transition and severance, $0.19 for board and stockholder matter costs, $0.06 for executive retention, and a gain of $0.07 for restaurant closures and refranchising, adjusted earnings per diluted share for the 52 weeks ended December 29, 2019 was $0.62. Excluding charges per diluted share of $1.60 for asset impairment, $0.27 for litigation contingencies, $0.18 for reorganization costs, and $0.17 for smallwares disposal, adjusted earnings per diluted share for the 52 weeks ended December 30, 2018 was $1.73. We believe the non-GAAP measure of adjusted earnings per share gives the reader additional insight into the ongoing operational results of the Company, and it is intended to supplement the presentation of the Company's financial results in accordance with GAAP.

- *Marketing.* Our Red Robin Royalty™ loyalty program operates in all our U.S. Company-owned Red Robin restaurants and has been rolled out to most of our franchised restaurants. We engage our Guests through Red Robin Royalty with offers designed to increase frequency of visits as a key part of our overall marketing strategy. We also inform enrolled Guests early about new menu items to generate awareness and trial of these offerings. Our media buying approach is concentrated on generating significant reach and frequency while on-air. In addition, we use digital, social, and earned media to target and more effectively reach specific segments of our Guest base. Our new "All the Fulls" omni-channel marketing campaign launched in 2019 focuses heavily on increased social and digital marketing techniques and the brand's emotional connection with Guests.

2020 Outlook and Beyond

We developed a compelling plan to quickly drive improved Guest experiences, business performance, and stockholder value as discussed in Item I, *Business*; our plan includes the following four fundamental elements: Recapture Our Soul, Deliver the Brand Promise, Tell Our Story, and Accelerate Profitable Growth. Based on this strategy, the Company currently expects the following in 2020:

- Comparable restaurant revenue growth in the low single digits;
- Incremental restaurant-level operating profit expected to be offset by pre-opening expenses, marketing, and project expenses associated with growth initiatives;
- Net income of at least $2 million, including a tax benefit of $10 million to $12 million;
- Adjusted EBITDA, a non-GAAP financial measure, of at least flat compared to approximately $101 million in 2019; and
- Capital expenditures of $50 million to $60 million, including the restaurant support center and systems; restaurant maintenance, refreshes and remodels; introduction of Donatos®; technology; and other investments to support growth initiatives.

Guidance Policy

The Company provides guidance as it relates to selected information related to the Company's financial and operating performance, and such measures may differ from year to year.

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Restaurant Data

The following table details restaurant unit data for our Company-owned and franchised locations for the periods indicated:

	Year Ended	
	December 29, 2019	**December 30, 2018**
Company-owned:		
Beginning of period	484	480
Opened during the period[1]	—	8
Sold to franchisee[2]	(12)	—
Closed during the period	(18)	(4)
End of period	454	484
Franchised:		
Beginning of period	89	86
Opened during the period	1	3
Acquired from corporate[2]	12	—
Closed during the period	—	—
End of period	102	89
Total number of restaurants	556	573

[1] The restaurants opened during the fiscal years presented consisted entirely of completed new restaurant openings.
[2] During the fourth quarter of 2019, the Company sold 12 restaurants located in British Columbia, Canada to a franchise partner.

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Results of Operations

Operating results for each fiscal period presented below are expressed as a percentage of total revenues, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant revenue. This information has been prepared on a basis consistent with our audited 2019 annual financial statements, with the exception of changes made due to the adoption of Topic 842 (Leases), and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented. Certain percentage amounts in the table below do not total due to rounding as well as restaurant operating costs being expressed as a percentage of restaurant revenue and not total revenues.

	Year Ended	
	December 29, 2019	**December 30, 2018**
Revenues:		
Restaurant revenue	98.1 %	98.3 %
Franchise revenue	1.3	1.3
Other revenue	0.6	0.4
Total revenues	100.0 %	100.0 %
Costs and expenses:		
Restaurant operating costs (exclusive of depreciation and amortization shown separately below)[1]		
Cost of sales	23.5 %	23.8 %
Labor	35.4	34.7
Other operating	14.5	13.8
Occupancy	8.7	8.7
Total restaurant operating costs	82.1	81.0
Depreciation and amortization	7.0	7.1
Selling, general and administrative	11.9	11.0
Pre-opening and acquisition costs	—	0.2
Other charges	1.6	2.9
(Loss) from operations	(1.0)	(0.8)
Other (income) expense:		
Interest expense	0.8	0.8
Interest (income) and other, net	(0.1)	—
Total other expenses	0.7	0.8
(Loss) before income taxes	(1.7)	(1.6)
Income tax benefit	(1.1)	(1.1)
Net loss	(0.6)%	(0.5)%

[1] Expressed as a percentage of restaurant revenue rather than total revenue

Revenues

(Revenues in thousands)	Year Ended 2019	2018	Percent Change
Restaurant revenue	$ 1,289,521	$ 1,316,209	(2.0)%
Franchise revenue	17,497	17,409	0.5 %
Other revenue	7,996	4,945	61.7 %
Total revenues	$ 1,315,014	$ 1,338,563	(1.8)%
Average weekly sales volumes in Company-owned restaurants	$ 52,193	$ 52,216	
Total operating weeks	24,707	25,165	(1.8)%
Net sales per square foot	$ 439	$ 441	(0.5)%

Restaurant revenue, which comprises primarily food and beverage sales, decreased $26.7 million for the 52 week fiscal year ended December 29, 2019, or 2.0%, as compared to the 52 week fiscal year ended December 30, 2018. The decrease was due to a $20.2 million decrease from closed restaurants, and a $7.7 million, or 0.6%, decrease in comparable restaurant revenue, partially offset by a $1.2 million increase from newly opened restaurants in their first full year of operations. The comparable restaurant revenue decrease was driven by a 4.7% decrease in Guest count partially offset by a 4.1% increase in average Guest check. The increase in average Guest check comprised a 2.1% increase in pricing, a 1.7% increase in menu mix primarily driven by the Company's current menu and promotional strategy, resulting in lower Tavern burger sales and higher Gourmet and Finest burger sales, and a 0.3% increase from lower discounting in 2019 compared to 2018.

We are implementing a series of new strategic initiatives; (i) enhancing our brand promise of memorable moments of connection with our Guests, (ii) leveraging service model improvements and technology, and undertaking menu rationalization efforts in order to improve our dine-in experience, (iii) telling our story via consumer driven omni-channel messaging focused on our brand, and (iv) enhancing our focus on areas of profitable growth, including growing and enhancing our off-premise business, and our roll out of Donatos®, a high quality pizza brand "nested" inside of Red Robin restaurants that is expected to drive incremental top-line sales and gross margin. Our strategic initiatives serve to develop our brand, while enhancing the value proposition Red Robin provides to its dine-in and off-premise Guests; we believe our initiatives will drive increased Guest counts, incremental margin growth, and increased comparable restaurant revenue.

Average weekly sales volumes represent the total restaurant revenue for all Company-owned Red Robin restaurants for each time period presented, divided by the number of operating weeks in the period. Comparable restaurant revenues include those restaurants that are in the comparable base at the end of each period presented. New restaurants are restaurants that are open but not included in the comparable category because they have not operated for five full quarters. Fluctuations in average weekly net sales volumes for Company-owned restaurants reflect the effect of comparable restaurant revenue changes as well as the performance of new and acquired restaurants during the period and the average square footage of our restaurants.

Franchise revenues comprise primarily royalty income and advertising fund contributions. Franchise revenue increased $0.1 million, or 0.5%, during the 52 week fiscal year ended December 29, 2019 compared to the 52 week fiscal year ended December 30, 2018 primarily due to a 0.8% increase in comparable franchise restaurant revenue, driving an increase in franchise fees and licensing royalties.

Other revenue comprises primarily of gift card breakage, which represents the value associated with the portion of gift cards sold that will most likely never be redeemed, and licensing royalties. For the fiscal years ended December 29, 2019 and December 30, 2018, we recognized $6.8 million and $3.9 million of gift card breakage, respectively.

Cost of Sales

(In thousands, except percentages)	2019	2018	Percent Change
Cost of sales	$ 303,404	$ 313,504	(3.2)%
As a percent of restaurant revenue	23.5 %	23.8 %	(0.3)%

Cost of sales, which comprises food and beverage costs, is variable and generally fluctuates with sales volume. Cost of sales as a percentage of restaurant revenue decreased 30 basis points in 2019 as compared to the same period in 2018. The decrease was primarily driven by favorable pork and steak fry costs, partially offset by unfavorable ground beef costs.

Labor

(In thousands, except percentages)		2019		2018	Percent Change
Labor	$	456,778	$	456,262	0.1%
As a percent of restaurant revenue		35.4%		34.7%	0.7%

Labor costs include restaurant-level hourly wages and management salaries as well as related taxes and benefits. Labor as a percentage of restaurant revenue increased 70 basis points in 2019 compared to the same period in 2018. The increase was primarily driven by higher average wage rates and increased manager staffing levels within the restaurants.

Other Operating

(In thousands, except percentages)		2019		2018	Percent Change
Other operating	$	186,476	$	182,084	2.4%
As a percent of restaurant revenue		14.5%		13.8%	0.7%

Other operating costs include costs such as equipment repairs and maintenance costs, restaurant supplies, utilities, restaurant technology, and other miscellaneous costs including royalties paid to Donatos®. Other operating costs as a percentage of restaurant revenue increased 70 basis points in 2019 as compared to the same period in 2018. The increase was primarily due to higher third-party delivery expense driven by growth in off-premise sales, as well as an increase in restaurant maintenance spending.

Occupancy

(In thousands, except percentages)		2019		2018	Percent Change
Occupancy	$	111,798	$	114,146	(2.1)%
As a percent of restaurant revenue		8.7%		8.7%	—%

Occupancy costs include fixed rents, property taxes, common area maintenance charges, general liability insurance, contingent rents, and other property costs. Occupancy costs incurred prior to opening our new restaurants are included in pre-opening costs. For the year ended December 29, 2019, occupancy costs as a percentage of restaurant revenue remained flat compared the same period in 2018.

Our fixed rents for the years ended December 29, 2019 and December 30, 2018 were $73.9 million and $76.6 million respectively, a decrease of $2.7 million due to a net decrease in restaurant count resulting from 18 locations permanently closed during the period.

Depreciation and Amortization

(In thousands, except percentages)		2019		2018	Percent Change
Depreciation and amortization	$	91,790	$	95,371	(3.8)%
As a percent of total revenues		7.0%		7.1%	(0.1)%

Depreciation and amortization includes depreciation on capital expenditures for restaurants and corporate assets as well as amortization of acquired franchise rights, leasehold interests, and certain liquor licenses. For the year ended December 29, 2019, depreciation and amortization expense as a percentage of revenue remained flat compared to the same period in 2018.

Selling, General, and Administrative

(In thousands, except percentages)		2019		2018	Percent Change
Selling, general, and administrative	$	155,978	$	146,458	6.5%
As a percent of total revenues		11.9%		11.0%	0.9%

Selling, general, and administrative costs include all corporate and administrative functions. Components of this category include marketing and advertising costs; corporate, regional, and franchise support salaries and benefits; travel; professional and consulting fees; corporate information systems; legal expenses; office rent; training; and board of directors' expenses.

Selling, general, and administrative costs increased $9.5 million, or 6.5% in 2019 as compared to the same period in 2018. The increase was primarily due to interim CEO expenses, increased Team Member benefits, increased professional services costs and higher national media spend to support the launch of the Company's new creative brand campaign.

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Pre-opening Costs

(In thousands, except percentages)		2019		2018	Percent Change
Pre-opening costs	$	319	$	2,092	(84.8)%
As a percent of total revenues		—%		0.2%	*
Number of restaurants opened during year		—		8	*
Average per restaurant pre-opening costs	$	—	$	262	*

** Percentage increases and decreases over 100 percent were not considered meaningful.*

Pre-opening costs, which are expensed as incurred, comprise the costs of labor, hiring, and training the initial work force for our new restaurants and new initiatives; occupancy costs incurred prior to opening; travel expenses for our training teams; the cost of food and beverages used in training; licenses and marketing; supply costs; and other direct costs related to the opening of new restaurants. Our pre-opening costs fluctuate from period to period, depending upon, but not limited to, the number of restaurant openings, the size of the restaurants being opened, and the location of the restaurants. Pre-opening costs for any given quarter will typically include expenses associated with restaurants opened during the quarter as well as expenses related to restaurants opening in subsequent quarters. Costs related to preparing restaurants to introduce Donatos® will be expensed as incurred and included in pre-opening costs

Pre-opening costs in 2019 decreased $1.8 million as compared to the same period in 2018. The decrease was due to no new restaurant openings during 2019 as compared to eight new restaurant openings during the same period in 2018.

Other Charges

(In thousands, except percentages)		2019		2018	Percent Change
Asset impairment	$	15,094	$	28,127	(46.3)%
Executive transition and severance		3,450		—	*
Board and stockholder matter costs		3,261		—	*
Executive retention		980		—	*
Restaurant closures and refranchising		(1,187)		—	*
Litigation contingencies		—		4,795	*
Reorganization costs		—		3,273	*
Smallwares disposal		—		2,936	*
Other charges	$	21,598	$	39,131	

** Percentage increases and decreases over 100 percent were not considered meaningful.*

During 2019, the Company determined 29 Company-owned restaurants were impaired and recognized a non-cash impairment charge of $15.1 million. During 2018, we determined that 41 Company-owned restaurants were impaired, 19 of which had immaterial impairments. We recognized a non-cash impairment charge of $28.1 million as a result of the current and projected future results of these restaurants. The Company reviewed each restaurant's past and present operating performance combined with projected future results, primarily through projected undiscounted cash flows, which indicated impairment. The carrying amount of each restaurant was compared to its estimated fair value as determined by management. The impairment charge represents the excess of each restaurant's carrying amount over its estimated fair value. The fair value measurement for asset impairment is based on significant inputs not observed in the market and thus represents a level 3 fair value measurement.

For further information on Other Charges line items that were not comparable, refer to Note 4, *Other Charges*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report

Interest Expense

Interest expense in 2019 and 2018 was $10.2 million and $10.7 million, respectively. Interest expense decreased in 2019 compared to the same period in 2018 primarily due to a lower weighted average outstanding debt balance partially offset by a higher weighted average interest rate. Our weighted average interest rate in 2019 and 2018 was 5.1% and 4.2%, respectively.

Income Tax Benefit

Income tax benefit was $14.3 million in 2019, compared to an income tax benefit of $15.0 million in 2018. Our effective income tax rate was a 64.5% benefit in 2019 and a 70.0% benefit in 2018. The decrease in the Company's 2019 effective tax benefit is attributable to a decrease in tax credits and an increase in the valuation allowance primarily driven by closing and refranchising all remaining company-operated restaurants in Canada in the fourth quarter of 2019.

Liquidity and Capital Resources

Cash and cash equivalents increased $11.5 million to $30.1 million at December 29, 2019, from $18.6 million at the beginning of the fiscal year. We expect to continue to reinvest available cash flows from operations to pay down debt, maintain existing restaurants and infrastructure, make disciplined investment in growth projects, and repurchase our common stock. The Company plans to use at least 50% of available cash flows for ongoing de-leveraging of the business.

Cash Flows

The table below summarizes our cash flows from operating, investing, and financing activities for each period presented (in thousands):

	2019	2018
Net cash provided by operating activities	$ 57,915	$ 126,295
Net cash used in investing activities	(57,030)	(49,836)
Net cash provided by (used) in financing activities	9,678	(74,298)
Effect of currency translation on cash	913	(1,306)
Net increase in cash and cash equivalents	$ 11,476	$ 855

Operating Cash Flows

Net cash flows provided by operating activities decreased $68.4 million to $57.9 million in 2019 as compared to 2018. The changes in net cash provided by operating activities are primarily attributable to a $19.2 million decrease in profit from operations compared to the same period in 2018, as well as changes driven by Other charges (See Note 4, *Other Charges*, in Item 8 of Part II in this report) and timing of payments related to our operating assets and liabilities.

Investing Cash Flows

Net cash flows used in investing activities increased $7.2 million to $57.0 million in 2019 as compared to 2018. The increase was due to increased investment in new restaurant technology partially offset by a decrease in restaurant openings during the year and lower restaurant maintenance capital expenditures.

The following table lists the components of our capital expenditures, net of currency translation effect, for the fiscal year ended December 29, 2019 (in thousands):

	2019	2018
Investment in technology infrastructure and other	$ 39,202	$ 13,983
Restaurant maintenance capital and other	17,288	26,781
New restaurants	—	9,507
Restaurant remodels and refreshes	819	—
Total capital expenditures	$ 57,309	$ 50,271

Financing Cash Flows

Net cash flows provided by financing activities increased $84.0 million to $9.7 million in 2019 as compared to 2018. The increase primarily resulted from a $86.2 million increase in net borrowings of long-term debt, offset by an increase of $2.0 million of cash used to repurchase the Company's common stock.

Credit Facility

On June 30, 2016, the Company entered into a credit facility (the "Credit Facility"), which provides for a $400 million revolving line of credit with a sublimit for the issuance of up to $25 million in letters of credit and swingline loans up to $15.0 million. On August 19, 2019, the Company entered into a second amendment (the "Amendment") to the Credit Facility. The Amendment increased the lease adjusted leverage ratio to 5.0 through December 29, 2019 before returning to 4.75 thereafter. In addition, the Amendment revised the definition of permitted acquisitions under the Credit Facility to correspond with the change to the lease adjusted leverage ratio and clarified the classification of existing capital and operating leases. The Company's lease adjusted leverage ratio was 4.72 as of December 29, 2019. The lease adjusted leverage ratio is defined in Section 1.1 of the Credit Facility, which is filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 5, 2016, as further amended by the Amendment filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 23, 2019.

The Credit Facility matures on June 30, 2021. Loan origination costs associated with the Credit Facility are included as deferred costs in Other assets, net in the accompanying consolidated balance sheets. As of December 29, 2019, the Company had outstanding borrowings under the Credit Facility of $206.0 million, in addition to amounts issued under letters of credit of $7.5 million. Amounts issued under letters of credit reduce the amount available under the Credit Facility but are not recorded as debt. As of December 29, 2019, we had unused borrowing capacity under the Credit Facility of approximately $186.5 million.

On January 10, 2020, the Company replaced its Credit Facility with a new five-year Amended and Restated Credit Agreement (the "New Credit Facility") which provides for a $161.5 million revolving line of credit and a $138.5 million term loan for a total borrowing capacity of $300 million. No amortization is required with the respect to the revolving line of credit, and the term loans require quarterly principal payments at a rate of 7.0% per annum of the original principal balance. The interest rates of the revolving line of credit and term loans are based on either LIBOR or a base rate defined by the agreement. LIBOR is set to terminate in December 2021, however, we anticipate an amended credit agreement will be executed at the new applicable interest rate. See Note 8, *Borrowings*, in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for further discussion.

Covenants

We are subject to a number of customary covenants under our Credit Facility, including limitations on additional borrowings, acquisitions, stock repurchases, sales of assets, and dividend payments. As of December 29, 2019, we were in compliance with all debt covenants.

Debt Outstanding

Total debt outstanding increased $13.5 million to $206.9 million at December 29, 2019, from $193.4 million at December 30, 2018, due to net borrowings of $13.5 million on the Credit Facility during 2019.

Share Repurchase

On August 9, 2018, the Company’s board of directors authorized the Company’s current share repurchase program of up to a total of $75 million of the Company’s common stock. The share repurchase authorization will terminate upon completing repurchases of $75 million of common stock unless otherwise terminated by the board. Pursuant to the repurchase program, purchases may be made from time to time at the Company’s discretion and the Company is not obligated to acquire any particular amount of common stock. From the date of the current program approval through December 29, 2019, we have repurchased a total of 154,400 shares at an average price of $31.90 per share for an aggregate amount of $4.9 million. Accordingly, as of December 29, 2019, we had $70.1 million of availability under the current share repurchase program. Our ability to repurchase shares is limited to conditions set forth by our lenders in the Credit Facility and New Credit Facility.

Inflation

The primary inflationary factors affecting our operations are food costs, labor costs, energy costs, and costs of construction materials used in restaurant remodels and refreshes. A large number of our restaurant Team Members are paid at rates based on the applicable minimum wage and increases in the minimum wage rates have directly affected our labor costs in recent years. Many of our leases require us to pay taxes, maintenance, repairs, insurance, and utilities, all of which are generally subject to inflationary increases. Labor cost inflation had a negative impact on our financial condition and results of operations during the fiscal year ended December 29, 2019. Uncertainties related to fluctuations in costs, including energy costs, commodity prices, annual indexed or potential minimum wage increases, and construction materials make it difficult to predict what impact, if any, inflation may continue to have on our business, but it is anticipated inflation will continue to have a negative impact on labor costs in fiscal year 2020.

Seasonality

Our business is subject to seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the summer months and winter holiday season and lower during the fall season. As a result, our quarterly operating results and comparable restaurant revenue may fluctuate significantly as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter, and comparable restaurant sales for any particular future period may decrease.

Contractual Obligations

The following table summarizes the amounts of payments due under specified contractual obligations as of December 29, 2019 (in thousands):

	Payments Due by Period				
	Total	2020	2021 - 2022	2023 - 2024	2025 and Thereafter
Long-term debt obligations(1)	$ 231,883	$ 8,293	$ 222,585	$ 65	$ 940
Finance lease obligations(2)	12,531	1,065	2,112	1,848	7,506
Operating lease obligations(3)	739,777	70,303	149,692	140,138	379,644
Purchase obligations(4)	162,282	98,577	63,705	—	—
Other non-current liabilities(5)	7,233	1,343	2,302	1,504	2,084
Total contractual obligations	$ 1,153,706	$ 179,581	$ 440,396	$ 143,555	$ 390,174

1. Long-term debt obligations primarily represent minimum required principal payments under our credit agreement including estimated interest of $24.8 million based on a 4.01% average borrowing interest rate.
2. Finance lease obligations include interest of $3.0 million.
3. Operating lease obligations exclude variable lease costs, such as sales based contingent rent, and include interest of $241.2 million.
4. Purchase obligations includes the Company's share of system-wide commitments for food, beverage, and restaurant supply items. These amounts require estimates and could vary due to the timing of volumes. Excluded are any agreements that are cancelable without significant penalty.
5. Other non-current liabilities primarily represent the employee deferred compensation plan liability. Refer to Note 15, *Employee Benefit Programs*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Financial Condition and Future Liquidity

We require capital principally to maintain, improve and refurbish existing restaurants, support infrastructure needs, and for general operating purposes, as well as to grow the business through new restaurant construction. In addition, we have and may continue to use capital to pay principal on our borrowings and repurchase our common stock. Our primary short-term and long-term sources of liquidity are expected to be cash flows from operations and our revolving credit facility. Based upon current levels of operations and anticipated growth, we expect cash flows from operations will be sufficient to meet debt service, capital expenditures, and working capital requirements for at least the next twelve months. We and the restaurant industry in general maintain relatively low levels of accounts receivable and inventories, and vendors generally grant short-term trade credit for purchases, such as food and supplies. The addition of new restaurants and refurbishment of existing restaurants are reflected as long-term assets and not as part of working capital.

Working Capital

We typically maintain current liabilities in excess of our current assets which results in a working capital deficit. We are able to operate with a working capital deficit because restaurant sales are primarily conducted on a cash or credit card basis. Rapid turnover of inventory results in limited investment in inventories, and cash from sales is usually received before related payables for food, supplies, and payroll become due. In addition, receipts from the sale of gift cards are received well in advance of related redemptions. Rather than maintain higher cash balances that would result from this pattern of operating cash flows, we typically utilize operating cash flows in excess of those required for currently maturing liabilities to pay for capital expenditures, debt repayment, or to repurchase stock. When necessary, we utilize our Credit Facility to satisfy short-term liquidity requirements. We believe our future cash flows generated from restaurant operations combined with our remaining borrowing capacity under the Credit Facility will be sufficient to satisfy any working capital deficits and our planned capital expenditures.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those we believe are both significant and that require us to make difficult, subjective, or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors we believe to be appropriate under the circumstances. Actual results may differ from these estimates, including our estimates of future restaurant level cash flows, which are subject to the current economic environment, and we might obtain different results if we use different assumptions or conditions. We have identified the following as the Company's most critical accounting policies, which are most important to the portrayal of the Company's financial condition and results and require management's most subjective and complex judgment. Information regarding the Company's other significant accounting policies is disclosed in Note 1, *Description of Business and Summary of Significant Accounting Policies*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report.

Impairment of Long-Lived Assets. Long-lived assets, including restaurant sites, leasehold improvements, other fixed assets, right of use assets, and amortizable intangible assets are reviewed when indicators of impairment are present. Expected cash flows associated with an asset are the key factor in determining the recoverability of the asset. Identifiable cash flows are measured at the restaurant level. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance, including assumptions on future revenue trends. Management's estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, changes in economic conditions, changes to our business model, or changes in operating performance. If the sum of the undiscounted cash flows is less than the carrying value of the asset, we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset.

Judgments made by management related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvements of the assets, changes in economic conditions, and changes in operating performance. As the ongoing expected cash flows and carrying amounts of long-lived assets are assessed, these factors could cause us to realize a material impairment charge. Each restaurant's past and present operating performance were reviewed in combination with projected future results, primarily through projected undiscounted cash flows, which indicated possible impairment. We compared the carrying amount of each restaurant to its fair value as estimated by management. The fair value of the long-lived assets is typically determined using a discounted cash flow projection model. The discount factor is determined using external information regarding the risk-free rate of return, industry beta factors, and premium adjustments. These factors are combined with internal information such as the Company's average cost of debt and effective tax rate to determine a weighted average cost of capital which is applied to the undiscounted cash flows. In certain cases, management uses other market information such as market rent, when available, to estimate the fair value of a restaurant. The impairment charges represent the excess of each restaurant's carrying amount over its estimated fair value. During 2019, we determined 29 Company-owned restaurants were impaired during our cash flow analysis which resulted in a non-cash impairment charge of $15.1 million. During 2018, we impaired 41 Company-owned restaurants, 19 of which had immaterial impairments, for non-cash charges of $28.1 million.

Information technology systems, such as internal-use computer software, are reviewed and tested for recoverability if the internal-use computer software is not expected to provide substantive service potential, a significant change occurs in the extent or manner in which the software is used or is expected to be used, a significant change is made or will be made to the software program, or costs of developing or modifying internal-use software significantly exceed the amount originally expected to develop or modify the software.

Goodwill. Goodwill, which is not subject to amortization, is evaluated for impairment annually at the end of the Company's third fiscal quarter, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of restaurant closures, that would indicate an impairment may exist. Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit. When evaluating goodwill for impairment, the Company may first perform a qualitative assessment, or step zero of the impairment test, to determine whether it is more likely than not that the fair value of the reporting unit exceeds its carrying amount. If we do not perform a qualitative assessment, or if we determine it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we perform a quantitative assessment and calculate the estimated fair value of the reporting unit. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. Our decision to perform a qualitative impairment assessment in a given year is influenced by a number of factors, including the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments, and the price of our common stock.

The Company performed a qualitative assessment and determined that goodwill was not impaired as of October 6, 2019. No indicators of impairment were identified from the date of our impairment test through the end of 2019. By review of macroeconomic conditions, industry and market conditions, cost factors, overall financial performance compared with prior results and projections, and other relevant entity-specific events, we determined that it was not more likely than not that the fair value of the reporting unit was less than its carrying amount.

Our last quantitative assessment of goodwill was performed in 2018, and it was determined that goodwill was not impaired.

Income Taxes. We make certain estimates and judgments in the calculation of tax expense and the resulting tax liabilities and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. When considered necessary, we record a valuation allowance to reduce deferred tax assets to a balance that is more likely than not to be recognized. We use an estimate of our annual effective tax rate at each interim period based on the facts and circumstances available at that time while the actual effective tax rate is calculated at year-end. We have recorded deferred tax assets reflecting the benefit of income tax credits. Realization is dependent on generating sufficient taxable income prior to expiration. Although realization is not assured, management believes it is more likely than not that the recognized deferred tax assets will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Off Balance Sheet Arrangements

Except for the letters of credit provided under the Credit Facility, we do not have any material off balance sheet arrangements.

Recently Issued Accounting Standards

See Note 3, *Recent Accounting Pronouncements*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for our discussion of recently issued accounting standards.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Under our Credit Facility, we are exposed to market risk from changes in interest rates on borrowings. Borrowings under the Credit Facility, if denominated in U.S. Dollars, are subject to rates based on the London Interbank Offered Rate ("LIBOR") plus a spread based on leverage or a base rate plus a spread based on leverage. The base rate is the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50%, and (c) LIBOR for an Interest Period of one month plus 1%. Borrowings under the Credit Facility, if denominated in Canadian Dollars, are subject to rates based on LIBOR plus a spread based on leverage or a base rate plus a spread based on leverage. The base rate for these purposes is the highest of (a) the Canadian Prime Rate and (b) the Canadian Dealer Offered Rate ("CDOR Rate") for an interest period of one month plus 1%. As of December 29, 2019, we had $206 million of borrowings subject to variable interest rates. A 1.0% change in the effective interest rate applied to these loans would have resulted in pre-tax interest expense fluctuation of $2.1 million on an annualized basis.

LIBOR is set to terminate in December 2021, however, we anticipate an amended credit agreement will be executed at the new applicable interest rate. The U.S. Federal Reserve is considering replacing the U.S. dollar LIBOR with the Secured Overnight Financing Rate ("SOFR"), a new index calculated by short-term repurchase agreements and backed by U.S. Treasury securities. However, there is no definitive information regarding the future use of LIBOR, any particular replace rate, or the market acceptance of any potential change. Any such change may have an adverse effect on the cost of our borrowings.

We continue to monitor our interest rate risk on an ongoing basis and may use interest rate swaps or similar instruments in the future to manage our exposure to interest rate changes related to our borrowings as the Company deems appropriate.

Foreign Currency Exchange Risk

During 2019, we operated as many as 18 restaurants in Canada, and the Canadian Dollar is the functional currency for our Canadian restaurant operations. We have currency risk related to transactions denominated in Canadian Dollars and the translation of our Canadian restaurants' financial results into U.S. Dollars.

Due to the immateriality of our Canadian restaurant operations during the year and the refranchising or closure of all Canadian restaurants during the fourth quarter of 2019, our foreign currency risk is limited at this date. As a result, the Company has not entered into any foreign currency exchange rate contracts to hedge against changes in foreign currency exchange rates on assets and liabilities expected to be settled at a future date.

Commodity Price Risks

The Company's restaurant menus are highly dependent upon a few select commodities, including ground beef, steak fries, poultry, and produce. We may or may not have the ability to increase menu prices, or vary menu items, in response to food commodity price increases. A 1.0% increase in food costs would negatively impact cost of sales by approximately $3 million on an annualized basis.

Many of the food products we purchase are affected by changes in weather, production, availability, seasonality, and other factors outside our control. In an effort to mitigate some of this risk, we have entered into fixed price agreements on some of our food and beverage products, including certain proteins, produce, and cooking oil. As of December 29, 2019, approximately 60% of our estimated annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times through the end of 2021. These contracts may exclude related expenses such as fuel surcharges and other fees. In addition, we believe that almost all of our food and supplies are available from several sources, which helps to reduce or mitigate these risks.

ITEM 8. Financial Statements and Supplementary Data

RED ROBIN GOURMET BURGERS, INC.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Red Robin Gourmet Burgers, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Red Robin Gourmet Burgers, Inc. and subsidiaries (the Company) as of December 29, 2019 and December 30, 2018, the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2019 and December 30, 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 29, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 10 to the consolidated financial statements, the Company has changed its method of accounting for leases as of December 31, 2018 due to the adoption of Accounting Standards Update No. 2016-02, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2015.

Denver, Colorado
February 25, 2020

RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	December 29, 2019	December 30, 2018
Assets:		
Current assets:		
Cash and cash equivalents	$ 30,045	$ 18,569
Accounts receivable, net	22,372	25,034
Inventories	26,424	27,370
Prepaid expenses and other current assets	26,646	27,576
Total current assets	105,487	98,549
Property and equipment, net	518,013	565,142
Right of use assets, net	426,248	—
Goodwill	96,397	95,838
Intangible assets, net	29,975	34,609
Other assets, net	61,460	49,803
Total assets	$ 1,237,580	$ 843,941
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	$ 33,040	$ 39,024
Accrued payroll and payroll-related liabilities	35,221	37,922
Unearned revenue	54,223	55,360
Short-term portion of lease obligations	42,699	786
Accrued liabilities and other current liabilities	29,403	38,057
Total current liabilities	194,586	171,149
Deferred rent	—	75,675
Long-term debt	206,875	193,375
Long-term portion of lease obligations	465,435	9,414
Other non-current liabilities	10,164	11,523
Total liabilities	877,060	461,136
Stockholders' equity:		
Common stock; $0.001 par value: 45,000 shares authorized; 17,851 shares issued; 12,923 and 12,971 shares outstanding	18	18
Preferred stock, $0.001 par value: 3,000 shares authorized; no shares issued and outstanding	—	—
Treasury stock 4,928 and 4,880 shares, at cost	(202,313)	(201,505)
Paid-in capital	213,922	212,752
Accumulated other comprehensive loss, net of tax	(4,373)	(4,801)
Retained earnings	353,266	376,341
Total stockholders' equity	360,520	382,805
Total liabilities and stockholders' equity	$ 1,237,580	$ 843,941

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(In thousands, except per share amounts)

	Year Ended		
	December 29, 2019	December 30, 2018	December 31, 2017
Revenues:			
Restaurant revenue	$ 1,289,521	$ 1,316,209	$ 1,365,060
Franchise revenue	17,497	17,409	17,681
Other revenue	7,996	4,945	4,825
Total revenues	1,315,014	1,338,563	1,387,566
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	303,404	313,504	320,355
Labor (includes $161, $245, and $346 of stock-based compensation)	456,778	456,262	475,432
Other operating	186,476	182,084	178,309
Occupancy	111,798	114,146	112,753
Depreciation and amortization	91,790	95,371	92,545
Selling, general, and administrative expenses (includes $3,103, $3,803, and $4,442 of stock-based compensation)	155,978	146,458	156,656
Pre-opening costs	319	2,092	5,570
Other charges	21,598	39,131	6,914
Total costs and expenses	1,328,141	1,349,048	1,348,534
(Loss) income from operations	(13,127)	(10,485)	39,032
Other expense (income):			
Interest expense and other	10,178	10,704	10,955
Interest (income) and other, net	(1,068)	221	(943)
Total other expenses	9,110	10,925	10,012
(Loss) income before income taxes	(22,237)	(21,410)	29,020
Income tax benefit	(14,334)	(14,991)	(999)
Net (loss) income	$ (7,903)	$ (6,419)	$ 30,019
(Loss) earnings per share:			
Basic	$ (0.61)	$ (0.49)	$ 2.33
Diluted	$ (0.61)	$ (0.49)	$ 2.31
Weighted average shares outstanding:			
Basic	12,959	12,976	12,899
Diluted	12,959	12,976	12,998
Other comprehensive income (loss):			
Foreign currency translation adjustment	$ 428	$ (1,235)	$ 1,442
Other comprehensive income (loss), net of tax	428	(1,235)	1,442
Total comprehensive (loss) income	$ (7,475)	$ (7,654)	$ 31,461

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Treasury Stock			Accumulated Other Comprehensive Loss,		
	Shares	Amount	Shares	Amount	Paid-in Capital	net of tax	Retained Earnings	Total
Balance, December 25, 2016	17,851	$ 18	5,023	$ (207,720)	$ 208,022	$ (5,008)	$ 352,741	$ 348,053
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(126)	5,235	(2,192)	—	—	3,043
Non-cash stock compensation	—	—	—	—	4,878	—	—	4,878
Net income	—	—	—	—	—	—	30,019	30,019
Other comprehensive income	—	—	—	—	—	1,442	—	1,442
Balance, December 31, 2017	17,851	18	4,897	(202,485)	210,708	(3,566)	382,760	387,435
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(60)	2,454	(2,007)	—	—	447
Acquisition of treasury stock	—	—	43	(1,474)	—	—	—	(1,474)
Non-cash stock compensation	—	—	—	—	4,051	—	—	4,051
Net loss	—	—	—	—	—	—	(6,419)	(6,419)
Other comprehensive loss	—	—	—	—	—	(1,235)	—	(1,235)
Balance, December 30, 2018	17,851	18	4,880	(201,505)	212,752	(4,801)	376,341	382,805
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(64)	2,642	(2,180)	—	—	462
Acquisition of treasury stock	—	—	112	(3,450)	—	—	—	(3,450)
Non-cash stock compensation	—	—	—	—	3,350			3,350
Topic 842 transition impairment, net of tax	—	—	—	—	—	—	(15,172)	(15,172)
Net loss	—	—	—	—	—	—	(7,903)	(7,903)
Other comprehensive income	—	—	—	—	—	428		428
Balance, December 29, 2019	17,851	$ 18	4,928	$ (202,313)	$ 213,922	$ (4,373)	$ 353,266	$ 360,520

See Notes to Consolidated Financial Statements.

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RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended		
	December 29, 2019	December 30, 2018	December 31, 2017
Cash Flows From Operating Activities:			
Net income	$ (7,903)	$ (6,419)	$ 30,019
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	91,790	95,371	92,545
Gift card breakage	(6,776)	(3,898)	(4,026)
Other charges - asset impairment and unpaid other charges	1,473	35,715	6,914
Deferred income tax benefit	(9,640)	(18,613)	(6,478)
Stock-based compensation expense	3,344	4,048	4,788
Other, net	678	1,052	1,043
Changes in operating assets and liabilities:			
Accounts receivable	2,766	2,922	(609)
Prepaid expenses and other current assets	(8,240)	5,918	(4,105)
Trade accounts payable and accrued liabilities	(15,490)	5,685	21,022
Unearned revenue	5,632	3,397	9,701
Other operating assets and liabilities, net	281	1,117	5,793
Net cash provided by operating activities	57,915	126,295	156,607
Cash Flows From Investing Activities:			
Purchases of property, equipment and intangible assets	(57,309)	(50,271)	(83,531)
Proceeds from sales of real estate and property, plant, and equipment and other	279	435	241
Net cash used in investing activities	(57,030)	(49,836)	(83,290)
Cash Flows From Financing Activities:			
Borrowings of long-term debt	273,500	215,500	186,550
Payments of long-term debt and finance leases	(261,063)	(289,238)	(257,215)
Purchase of treasury stock	(3,450)	(1,474)	—
Debt issuance costs	(33)	—	(664)
Proceeds from exercise of stock options and employee stock purchase plan	724	914	3,405
Net cash provided by (used in) financing activities	9,678	(74,298)	(67,924)
Effect of Currency Translation on Cash	913	(1,306)	589
Net increase in cash and cash equivalents	11,476	855	5,982
Cash and cash equivalents, beginning of period	18,569	17,714	11,732
Cash and cash equivalents, end of period	$ 30,045	$ 18,569	$ 17,714
Supplemental disclosure of cash flow information			
Income taxes paid	$ 3,237	$ 2,486	$ 3,999
Interest paid, net of amounts capitalized	$ 9,750	$ 10,013	$ 10,372
Change in accrued capital expenditures	$ (3,910)	$ (507)	$ (5,951)

See Notes to Consolidated Financial Statements.

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RED ROBIN GOURMET BURGERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin," "we," "us," "our", or the "Company"), primarily operates, franchises, and develops casual-dining restaurants in North America. As of December 29, 2019, the Company owned and operated 454 restaurants located in 38 states. The Company also had 102 casual-dining restaurants operated by franchisees in 16 states and one Canadian province. The Company operates its business as one operating and one reportable segment.

Basis of Presentation and Principles of Consolidation - The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Red Robin and its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. The Company's fiscal year is 52 or 53 weeks ending the last Sunday of the calendar year. Year end dates and the number of weeks in each fiscal year are shown in the table below for periods presented in this Form 10-K and for the upcoming fiscal year.

Fiscal Year	Year End Date	Number of Weeks in Fiscal Year
Current and Prior Fiscal Years:		
2019	December 29, 2019	52
2018	December 30, 2018	52
2017	December 31, 2017	53
Upcoming Fiscal Year		
2020	December 27, 2020	52

Use of 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 revenues and expenses during the reporting periods. The areas that require management's most significant estimates are impairment of long-lived assets, goodwill, lease accounting, insurance/self-insurance reserves, estimating fair value, income taxes, unearned revenue, and stock-based compensation expense. Actual results could differ from those estimates.

Reclassifications - Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. For the fiscal year ended December 30, 2018, the Company reclassified unfavorable lease rights of $1.4 million from Deferred rent to Other non-current liabilities and reclassified the short-term portion of our lease obligations totaling $0.8 million from Accrued liabilities and other to its own line item on the consolidated balance sheets. Management believes this presentation better reflects the nature of these liabilities subsequent to the adoption of Topic 842 (Leases), as defined in Note 10, *Leases*. For the fiscal years ended December 30, 2018 and December 31, 2017, the Company reclassified gift card breakage of $3.9 million and $4.0 million, respectively, from Other, net to its own line item presented in the adjustments to reconcile net (loss) income to net cash provided by operating activities on the consolidated statements of cash flows.

Cash Equivalents - The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Amounts receivable from credit card issuers are typically converted to cash within two to four days of the original sales transaction and are considered to be cash equivalents.

Cash and cash equivalents are maintained with multiple financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company holds cash and cash equivalents at financial institutions in excess of amounts covered by the Federal Depository Insurance Corporation (the "FDIC") and sometimes invests excess cash in money market funds not insured by the FDIC.

Accounts Receivable - Accounts receivable consists primarily of third-party gift card receivables, tenant improvement allowances, and trade receivables due from franchisees for royalties. At the end of 2019, there was approximately $13.3 million of gift cards in transit in accounts receivable related to gift cards that were sold by third-party retailers compared to $13.8 million at the end of 2018. At the end of 2019, there was also approximately $0.6 million related to tenant improvement allowances in accounts receivable compared to $2.4 million at the end of 2018.

Inventories - Inventories consist of food, beverages, and supplies valued at the lower of cost (first-in, first-out method) or net realizable value. At the end of 2019 and 2018, food and beverage inventories were $8.1 million and $8.7 million, respectively, and supplies inventories were $18.3 million and $18.6 million, respectively.

Property and Equipment - Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are expensed as incurred. Depreciation is computed on the straight-line method, based on the shorter of the estimated useful lives or the terms of the underlying leases of the related assets. Interest incurred on funds used to construct Company-owned restaurants is capitalized and amortized over the estimated useful life of the related assets.

The estimated useful lives for property and equipment are:

Buildings	5 to 20 years
Leasehold improvements	Shorter of lease term or estimated useful life, not to exceed 20 years
Furniture, fixtures and equipment	5 to 20 years
Computer equipment	2 to 5 years

The Company capitalizes certain overhead related to the development and construction of its new restaurants as well as certain information technology infrastructure upgrades. Costs incurred for the potential development of restaurants that are subsequently terminated are expensed.

Goodwill and Intangible Assets, net - Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired. Intangible assets comprise primarily leasehold interests, acquired franchise rights, and the costs of purchased liquor licenses. Leasehold interests primarily represent the fair values of acquired lease contracts having contractual rents lower than fair market rents and are amortized on a straight-line basis over the remaining initial lease term. Acquired franchise rights, which represent the acquired value of franchise contracts, are amortized over the term of the franchise agreements. The costs of obtaining non-transferable liquor licenses from local government agencies are capitalized and generally amortized over a period of up to 20 years. The costs of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived intangible assets.

Goodwill, which is not subject to amortization, is evaluated for impairment annually as of the end of the Company's third fiscal quarter, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of restaurant closures, that would indicate an impairment may exist. Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit.

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

The Company performed a qualitative assessment for the 2019 annual impairment evaluation at the end of the third fiscal quarter and determined goodwill was not impaired. No indicators of impairment were identified from the date of our impairment test through the end of 2019. By review of macroeconomic conditions, industry and market conditions, cost factors, overall financial performance compared with prior projections and prior actual financial results, other relevant entity-specific events, and changes in share price, we determined it was not more likely than not that the fair value of the reporting unit was less than its carrying amount.

The Company performed a quantitative assessment and determined that goodwill was not impaired as of October 7, 2018. No indicators of impairment were identified from the date of our impairment test through the end of 2018. Step one of the impairment test is based upon a comparison of the carrying value of net assets, including goodwill balances, to the fair value of net assets. Fair value is measured using a combination of the market capitalization method, the income approach, and the market approach. The market capitalization method uses the Company's stock price to derive fair value. The income approach consists of utilizing the discounted cash flow method that incorporates the Company's estimates of future revenues and costs, discounted using a risk-adjusted discount rate. The Company's estimates used in the income approach are consistent with the plans and estimates used to manage operations. The market approach utilizes multiples of profit measures in order to estimate the fair value of the assets. The Company evaluates all methods to ensure reasonably consistent results. Additionally, the Company evaluates the key input factors in the models used to determine whether a moderate change in any input factor or combination of factors would significantly change the results of the tests.

Liquor licenses with indefinite lives are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the carrying amount is not recoverable, we record an impairment charge for the excess of the carrying amount over the fair value. We determine fair value based on prices in the open market for license in same or similar jurisdictions. No impairment charges were recorded in 2019, 2018, or 2017.

Impairment of Long-Lived Assets - The Company reviews its long-lived assets, including restaurant sites, leasehold improvements, information technology systems, and other fixed assets, and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If the assets are determined to be impaired, the amount of impairment recognized is the amount by which the carrying amount of the assets exceeds their fair value. Fair value is generally determined using forecasted cash flows discounted using an estimated weighted average cost of capital. Management may also utilize other market information to determine fair value when relevant information is available. Restaurant sites and other assets to be disposed of are reported at the lower of their carrying amount or fair value, less estimated costs to sell. Information technology systems, such as internal-use computer software, are reviewed and tested for recoverability if the internal-use computer software is not expected to provide substantive service potential, a significant change occurs in the extent or manner in which the software is used or is expected to be used, a significant change is made or will be made to the software program, or costs of developing or modifying internal-use software significantly exceed the amount originally expected to develop or modify the software.

Other Assets, net - Other assets, net consist primarily of assets related to various deposits, the employee deferred compensation plan and unamortized debt issuance costs on revolving credit facilities. Debt issuance costs are capitalized and amortized to interest expense on a straight-line basis which approximates the effective interest rate method over the term of the Company's long-term debt.

Advertising - Under the Company's franchise agreements, both the Company and the franchisees must contribute up to3.0% of revenues to two national media advertising funds (the "Advertising Funds"). These Advertising Funds are used to build the Company's brand equity and awareness primarily through a national marketing strategy, including national television advertising, digital media, social media programs, email, loyalty, and public relations initiatives. Contributions to these Advertising Funds from franchisees are recorded as revenue under Franchise revenue in the consolidated statements of operations and comprehensive (loss) income in accordance with Topic 606 (Revenue from Contracts with Customers).

Total advertising costs were $44.3 million, $44.3 million, and $48 million in 2019, 2018, and 2017, respectively, and were included in Selling, general, and administrative expenses.

Advertising production costs are expensed in the period when the advertising first takes place. Other advertising costs are expensed as incurred.

Self-Insurance Programs - The Company utilizes a self-insurance plan for health, general liability, and workers' compensation coverage. Predetermined loss limits have been arranged with insurance companies to limit the Company's per occurrence cash outlay. Accrued liabilities and accrued payroll and payroll-related liabilities include the estimated cost to settle reported claims and incurred but unreported claims.

Legal Contingencies - In the normal course of business, we are subject to various legal proceedings and claims, the outcomes of which are uncertain. We record an accrual for legal contingencies when we determine it is probable that we have incurred a liability and we can reasonably estimate the amount of the loss. In making such determinations we evaluate, among other things, the probability of an unfavorable outcome and, when we believe it probable that a liability has been incurred, our ability to make a reasonable estimate of the loss.

Pre-opening Costs - Pre-opening costs are expensed as incurred. Pre-opening costs include rental expenses through the date of opening for each restaurant, travel expenses, wages and benefits for the training and opening teams, as well as food, beverage, and other restaurant opening costs incurred prior to a restaurant opening for business. Costs related to preparing restaurants to introduce Donatos® will be expensed as incurred and included in pre-opening costs.

Income Taxes - Deferred tax liabilities are recognized for the estimated effects of all taxable temporary differences, and deferred tax assets are recognized for the estimated effects of all deductible temporary differences and net operating losses, if any, and tax credit carryforwards. Realization of net deferred tax assets is dependent upon profitable operations and future reversals of existing taxable temporary differences. However, the amount of the deferred tax assets considered realizable could be adjusted if estimates of future taxable income during the carry forward period are increased or reduced or if there are differences in the timing or amount of future reversals of existing taxable temporary differences.

We do not provide for deferred taxes on the excess of the financial reporting basis over the tax basis in our investments in foreign subsidiaries that are essentially permanent in duration. We intend to reinvest earnings from our foreign subsidiaries, if any, in those operations for the foreseeable future. We have not, nor do we anticipate the need to, repatriate funds to the U.S. to satisfy domestic liquidity needs and, accordingly, we do not provide for U.S. federal income and foreign withholding tax on these earnings. While we do not expect to repatriate cash to the U.S., if these funds were distributed to the U.S., in the form of dividends or otherwise, we would be subject to additional U.S. income taxes. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

Pursuant to the guidance for uncertain tax positions, a taxpayer must be able to more likely than not sustain a position to recognize a tax benefit, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. The Company has analyzed filing positions in all of the federal, state, and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The only periods subject to examination for the Company’s federal and state returns are the 2014 through 2018 tax years.

The Company records interest and penalties associated with audits as a component of income before taxes. Penalties are recorded in Interest income and other, net, and interest paid or received is recorded in Interest expense and other in the consolidated statements of operations and comprehensive (loss) income. The Company recorded immaterial interest expense on the identified tax liabilities in 2019, 2018, and 2017.

Earnings Per Share - Basic earnings per share amounts are calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated based upon the weighted average number of common and potentially dilutive common shares outstanding during the year. Potentially dilutive shares are excluded from the computation in periods in which they have an anti-dilutive effect. Diluted earnings per share reflect the potential dilution that could occur if holders of options exercised their holdings into common stock.

The Company uses the treasury stock method to calculate the impact of outstanding stock options. Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding for the fiscal years ended December 29, 2019, December 30, 2018, and December 31, 2017 as follows (in thousands):

	2019	2018	2017
Basic weighted average shares outstanding	12,959	12,976	12,899
Dilutive effect of stock options and awards	—	—	99
Diluted weighted average shares outstanding	12,959	12,976	12,998
Awards excluded due to anti-dilutive effect on diluted earnings per share	378	427	329

Comprehensive (Loss) Income - Comprehensive (loss) income consists of the net income or loss and other gains and losses affecting stockholders’ equity that, under U.S. GAAP, are excluded from net income. Other comprehensive (loss) income as presented in the Consolidated Statements of Stockholders’ Equity for 2019, 2018, and 2017 consisted of the foreign currency translation adjustment resulting from the Company's Canadian restaurant operations.

Stock-Based Compensation - The Company maintains several equity incentive plans under which it may grant stock options, stock appreciation rights, restricted stock, stock variable compensation or other forms of awards granted or denominated in the Company’s common stock or units of the Company’s common stock, as well as cash variable compensation awards to employees, non-employees, directors, and consultants. The Company also maintains an employee stock purchase plan. The Company issues shares relating to stock-based compensation plans and the employee stock purchase plan from treasury shares.

Deferred Compensation (Income) Expense - The Company has assets and liabilities related to a deferred compensation plan. The assets of the deferred compensation plan are held in a rabbi trust, where they are invested in certain mutual funds that cover an investment spectrum range from equities to money market instruments. Increases in the market value of the investments held in the trust result in the recognition of deferred compensation expense reported in Selling, general, and administrative expenses and recognition of investment gain reported in Interest income and other, net, in the consolidated statements of operations and comprehensive income (loss). Decreases in the market value of the investments held in the trust result in the recognition of a reduction to deferred compensation expense and recognition of investment loss reported in Interest income and other, net, in the consolidated statements of operations and comprehensive income (loss).

Foreign Currency Translation - The Canadian Dollar is the functional currency for our Canadian restaurant operations. Assets and liabilities denominated in Canadian Dollars are translated into U.S. Dollars at exchange rates in effect as of the balance sheet date. Income and expense accounts are translated using the average exchange rates prevailing throughout the period. The resulting translation adjustment is recorded as a separate component of Other comprehensive (loss) income. Gain or loss from foreign currency transactions is recognized in our consolidated statements of operations and comprehensive (loss) income.

2. Revenue

Revenue Recognition

Revenues consist of sales from restaurant operations, franchise revenue, and other revenue including gift card breakage and miscellaneous revenue. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a restaurant Guest, franchisee, or other customer.

Restaurant revenue

The Company recognizes revenues from restaurant sales when payment is tendered at the point of sale, as the Company's performance obligation to provide food and beverage to the customer has been satisfied.

The Company sells gift cards which do not have an expiration date, and it does not deduct dormancy fees from outstanding gift card balances. We recognize revenue from gift cards as either: (i) Restaurant revenue, when the Company's performance obligation to provide food and beverage to the customer is satisfied upon redemption of the gift card, or (ii) gift card breakage, as discussed in Other revenue below.

Red Robin Royalty™ deferred revenue primarily relates to a program in which registered members earn an award for a free entrée for every nine entrées purchased. We recognize the current sale of an entrée and defer a portion of the revenue to reflect partial pre-payment for the future entrée the member is entitled to receive. We estimate the future value of the award based on the historical average value of redemptions. We also estimate what portion of registered members are not likely to reach the ninth purchase based on historical activity and recognize the deferred revenue related to those purchases. We recognize the deferred revenue in restaurant revenue on earned rewards when the Company satisfies its performance obligation at redemption, or upon expiration. We compare the estimate of the value of future awards to historical redemptions to evaluate the reasonableness of the deferred amount.

Franchise revenue

Revenues we receive from our franchise arrangements include sales-based royalties, advertising fund contributions, area development fees, and franchise fees. Red Robin franchisees are required to remit 4.0% to 5.0% of their revenues as royalties to the Company and contribute up to 3.0% of revenues to two national advertising funds. The Company recognizes these sales-based royalties and advertising fund contributions as the underlying franchisee sales occur.

The Company also provides its franchisees with management expertise, training, pre-opening assistance, and restaurant operating assistance in exchange for area development fees and franchise fees. The Company capitalizes these fees upon collection from the franchisee, which then amortize over the contracted franchise term as the services comprising the performance obligation are satisfied. The Company typically grants franchise rights to franchisees for a term of 20 years, with the right to extend the term for an additional ten years if various conditions are satisfied by the franchisee.

Other revenue

Gift card breakage is recognized when the likelihood of a gift card being redeemed by the customer is remote and the Company determines there is not a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company recognizes gift card breakage by applying its estimate of the rate of gift card breakage on a pro rata basis over the period of estimated redemption.

Other revenue also consists of miscellaneous revenues considered insignificant to the Company's business.

Disaggregation of Revenue

In the following table, revenue is disaggregated by type of good or service (in thousands):

	Year Ended		
	December 29, 2019	December 30, 2018	December 31, 2017
Restaurant revenue	$ 1,289,521	$ 1,316,209	$ 1,365,060
Franchise revenue	17,497	17,409	17,681
Other revenue	7,996	4,945	4,825
Total revenues	$ 1,315,014	$ 1,338,563	$ 1,387,566

Contract Liabilities

Unearned gift card revenue at December 29, 2019 and December 30, 2018 was $43.5 million and $45.3 million. Deferred loyalty revenue, which was also included in Unearned revenue in the accompanying consolidated balance sheets, was $10.7 million and $10.0 million at December 29, 2019 and December 30, 2018.

Revenue recognized in the consolidated statements of operations and comprehensive (loss) income for the redemption of gift cards that were included in the liability balance at the beginning of the fiscal year was as follows (in thousands):

	Year Ended		
	December 29, 2019	December 30, 2018	December 31, 2017
Gift card revenue	$ 19,941	$ 17,487	$ 16,337

3. Recent Accounting Pronouncements

Current Expected Credit Losses

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Update 2016-13, Financial Instruments - Credit Losses (“Topic 326”), subsequently amended by various standard updates. This guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information when determining credit loss estimates and requires financial assets to be measured net of expected credit losses at the time of initial recognition. This guidance is effective for annual and interim reporting periods beginning after December 15, 2019 using a modified retrospective adoption method. Early adoption is permitted.

We evaluated the guidance by reviewing our trade and other receivable balances and grouping them into asset pools based on similar risk characteristics. We then reviewed our asset pools for collectibility using a broad range of factors including historical collections data as well as qualitative analysis of both historical and prospective factors to develop an expected loss rate. We then applied the expected loss rate to the asset pools to determine the expected impact of our adoption of the standard. Based on our analysis, we do not expect to recognize a material impact upon adoption in the first quarter of 2020.

Income Taxes

In December 2019, the Financial Accounting Standards Board ("FASB") issued Update 2019-12, Income Taxes ("Topic 740") as part of its Simplification Initiative. This guidance provides amendments to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for annual and interim reporting periods beginning after December 15, 2020, and early adoption is permitted. We are currently evaluating the full impact this guidance will have on our consolidated financial statements.

We reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a significant impact on the Company's consolidated financial statements.

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4. Other Charges

Other charges consist of the following (in thousands):

	Year Ended		
	December 29, 2019	December 30, 2018	December 31, 2017
Asset impairment	$ 15,094	$ 28,127	$ 6,914
Executive transition and severance	3,450	—	—
Board and stockholder matter costs	3,261	—	—
Executive retention	980	—	—
Restaurant closures and refranchising	(1,187)	—	—
Litigation contingencies	—	4,795	—
Reorganization costs	—	3,273	—
Smallwares disposal	—	2,936	—
Other charges	$ 21,598	$ 39,131	$ 6,914

Asset Impairment

During 2019, the Company determined long-lived assets at29 Company-owned restaurants were impaired and recognized a non-cash impairment charge of$15.1 million. During 2018 and 2017, the Company impaired long-lived assets of41 and 13 Company-owned restaurants and recognized non-cash impairment charges of $28.1 million and $6.9 million, respectively. 19 of the 41 restaurants impaired in 2018 had immaterial impairments.

The Company recognized the asset impairment charges resulting from the continuing and projected future results of these restaurants, primarily through projected cash flows. The fair value measurement for asset impairment is based on significant inputs not observed in the market and thus represents a level 3 fair value measurement. Each restaurant's past and present operating performance was reviewed in combination with projected future results, primarily through projected undiscounted cash flows. The Company compared the carrying amount of each restaurant's assets to its fair value as estimated by management. The fair value of the long-lived assets is generally determined using a discounted cash flow projection model. In certain cases, management uses other market information, when available, to estimate the fair value of a restaurant. The impairment charges represent the excess of each restaurant's carrying amount over its estimated fair value.

Executive Transition and Severance

During 2019, the Company recorded $3.5 million of executive transition and severance costs primarily related to the transition and realignment of our executive team, including the appointment of a new CEO in the third quarter of 2019.

Board and Stockholder Matter Costs

During 2019, the Company recorded $3.3 million of board and stockholder matter costs primarily related to the recruitment and appointment of the three new board members and the adoption of a shareholder rights plan.

Executive Retention

During 2019, the Company recorded $1.0 million of executive retention costs related to payments made to retain executive leadership believed to be critical to the ongoing operation of the Company during the uncertainty created following the retirement of our CEO in early April 2019 and throughout the subsequent transition period. The retention agreement is filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on April 21, 2019.

Restaurant Closures and Refranchising

During 2019, the Company closed 18 restaurants resulting in a gain of$1.2 million. The gain on restaurant closures was driven by favorable lease terminations at the closed restaurant locations. Non-cash impairment charges relating to restaurant closures are included in Restaurant Closures and Refranchising component of other charges.

During 2018 and 2017, the Company closed four and three restaurants, respectively. The related restaurant closure costs were immaterial.

The Company evaluates restaurants that are sold or closed and allocates goodwill based on the relative fair value of the disposal restaurants to the Company's reporting unit. Since restaurant operations are typically valued based on cash flow from operations, the Company compares the historical cash flow from the closed restaurants to the cash flow from the reporting unit to determine the relative value. The goodwill allocated to the restaurants closed in 2019, 2018, and 2017 was immaterial.

Litigation Contingencies

In 2018, the Company recorded $4.8 million of litigation contingencies for employment-related claims.

Smallwares Disposal

During 2018, the Company recorded $2.9 million of costs related to the disposal of smallwares.

Reorganization Costs

During 2018, the Company recorded $3.3 million of severance costs related to the reorganization in first quarter 2018.

5. Property and Equipment

Property and equipment consist of the following at December 29, 2019 and December 30, 2018 (in thousands):

	December 29, 2019	December 30, 2018
Land	$ 41,850	$ 41,850
Buildings	96,944	110,050
Leasehold improvements	708,954	706,648
Furniture, fixtures, and equipment	411,874	395,438
Construction in progress	13,697	8,731
Property and equipment, at cost	1,273,319	1,262,717
Accumulated depreciation and amortization	(755,306)	(697,575)
Property and equipment, net	$ 518,013	$ 565,142

Depreciation and amortization expense on property and equipment was $87.4 million in 2019, $91.0 million in 2018, and $87.6 million in 2017.

6. Goodwill and Intangible Assets

The following table presents goodwill as of December 29, 2019 and December 30, 2018 (in thousands):

	2019	2018
Balance, beginning	$ 95,838	$ 96,979
Foreign currency translation adjustment	559	(1,141)
Balance, end	$ 96,397	$ 95,838

The Company recorded no goodwill impairment losses in the period presented in the table above or any prior periods.

The following table presents intangible assets as of December 29, 2019 and December 30, 2018 (in thousands):

	December 29, 2019			December 30, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Franchise rights	$ 53,336	$ (35,896)	$ 17,440	$ 54,404	$ (33,160)	$ 21,244
Leasehold interests	13,001	(8,794)	4,207	13,001	(8,136)	4,865
Liquor licenses and other	10,737	(9,869)	868	10,810	(9,770)	1,040
	$ 77,074	$ (54,559)	$ 22,515	$ 78,215	$ (51,066)	$ 27,149
Indefinite-lived intangible assets:						
Liquor licenses and other	$ 7,460	$ —	$ 7,460	$ 7,460	$ —	$ 7,460
Intangible assets, net	$ 84,534	$ (54,559)	$ 29,975	$ 85,675	$ (51,066)	$ 34,609

No impairment charges were recorded related to indefinite-lived intangibles in 2019, 2018, and 2017. There were immaterial impairments of franchise rights and liquor licenses subject to amortization related to the 29 restaurants impaired in 2019, immaterial impairments of franchise rights, leasehold interests, and liquor licenses subject to amortization related to the

41 restaurants impaired in 2018, and immaterial impairments of franchise rights and liquor licenses subject to amortization related to the13 restaurants impaired in 2017, which are discussed in Note 4, *Other Charges.* There were no other impairments of intangible assets subject to amortization in 2019, 2018, or 2017.

The aggregate amortization expense related to intangible assets subject to amortization for 2019, 2018, and 2017 was$4.4 million, $4.3 million, and $4.9 million, respectively.

The estimated aggregate future amortization expense as of December 29, 2019 is as follows (in thousands):

2020	$	3,684
2021		3,258
2022		2,830
2023		2,593
2024		2,300
Thereafter		7,850
	$	22,515

7. Accrued Payroll and Payroll-Related Liabilities, and Accrued Liabilities and Other Current Liabilities

Accrued payroll and payroll-related liabilities consist of the following atDecember 29, 2019 and December 30, 2018 (in thousands):

	December 29, 2019		December 30, 2018	
Payroll and payroll-related taxes	$	16,736	$	18,192
Workers compensation insurance		5,720		6,825
Accrued vacation		5,451		5,753
Corporate and restaurant incentive compensation		5,397		4,227
Other		1,917		2,925
Accrued payroll and payroll-related liabilities	$	35,221	$	37,922

Accrued liabilities and other current liabilities consist of the following atDecember 29, 2019 and December 30, 2018 (in thousands):

	December 29, 2019		December 30, 2018	
State and city sales tax payable	$	6,776	$	5,798
General liability insurance		6,622		6,826
Legal		4,290		4,910
Utilities		2,791		2,915
Real estate, personal property, state income, and other taxes payable		1,135		4,522
Other		7,789		13,086
Accrued liabilities and other current liabilities	$	29,403	$	38,057

8. Borrowings

Borrowings as of December 29, 2019 and December 30, 2018 are summarized below (in thousands):

	December 29, 2019			December 30, 2018		
	Borrowings		Weighted Average Interest Rate	Borrowings		Weighted Average Interest Rate
Revolving credit facility and other long-term debt	$	206,875	5.10%	$	193,375	4.20%
Total Debt		206,875			193,375	
Less: Current portion		—			—	
Long-term debt	$	206,875		$	193,375	

Maturities of long-term debt as of December 29, 2019 are as follows (in thousands):

2020	$	—
2021		206,000
2022		—
2023		—
2024		—
Thereafter		875
	$	206,875

Revolving Credit Facility

On June 30, 2016, the Company entered into a credit facility (the “Credit Facility”), which provides for a $400 million revolving line of credit with a sublimit for the issuance of up to $25 million in letters of credit and swingline loans up to $15 million. The Credit Facility also includes an option to increase the amount available under the credit facility up to an additional $100 million in the aggregate, subject to the lenders' participation.

The Credit Facility also provides a Canadian Dollar borrowing sublimit equivalent to $20 million. Borrowings under the New Credit Facility, if denominated in U.S. Dollars, are subject to rates based on the London Interbank Offered Rate (“LIBOR”) plus a spread based on leverage or a base rate plus a spread based on leverage (base rate is the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50%, and (c) LIBOR for an Interest Period of one month plus 1%). Borrowings under the Credit Facility, if denominated in Canadian Dollars, are subject to rates based on LIBOR plus a spread based on leverage or a base rate plus a spread based on leverage (base rate is the highest of (a) the Canadian Prime Rate and (b) the Canadian Dealer Offered Rate (“CDOR Rate”) for an interest period of one month plus 1%).

On August 19, 2019, the Company entered into a second amendment (the “Amendment”) to the Credit Facility. The Amendment increases the lease adjusted leverage ratio to 5.0 through December 29, 2019. In addition, the Amendment revises the definition of permitted acquisitions under the Credit Facility to correspond with the change to the lease adjusted leverage ratio and clarifies the classification of existing capital and operating leases. The Company's lease adjusted leverage ratio was 4.72 as of December 29, 2019.

The Credit Facility matures on June 30, 2021. Borrowings under the Credit Facility are secured by first priority liens and security interests in substantially all of the Company's assets, including the capital stock of certain Company subsidiaries, and are available for financing activities including restaurant construction costs, working capital, and general corporate purposes, including, among other uses, to refinance certain indebtedness, permitted acquisitions, and redemption of capital stock. As of December 29, 2019, the Company had outstanding borrowings under the Credit Facility of $206.0 million, in addition to amounts issued under letters of credit of $7.5 million. As of December 30, 2018, the Company had outstanding borrowings under the Credit Facility of $192.5 million, in addition to amounts issued under letters of credit of $7.8 million. The amounts issued under letters of credit reduce the amount available under the Credit Facility but were not recorded as debt. No outstanding borrowings were considered short-term as of December 29, 2019 and December 30, 2018.

Loan origination costs associated with the Credit Facility are included as deferred costs in Other assets, net in the accompanying consolidated balance sheets, except for the current portion of these costs which is included in Prepaid expenses and other current assets. Unamortized debt issuance costs were $1.0 million and $1.7 million as of December 29, 2019 and December 30, 2018, respectively.

The Company is subject to a number of customary covenants under its Credit Facility, including limitations on additional borrowings, acquisitions, capital expenditures, share repurchases, lease commitments, dividend payments, and requirements to maintain certain financial ratios. The Company was in compliance with such covenants as of December 29, 2019.

New Credit Facility

On January 10, 2020, the Company replaced its prior Credit Facility with a new Amended and Restated Credit Agreement (the "New Credit Facility") which provides for a $161.5 million revolving line of credit and a $138.5 million term loan for a total borrowing capacity of $300 million. In addition, the New Credit Facility allows for the issuance of $25 million in letters of credit, swingline loans up to $15 million, and the option to increase the borrowing capacity by up to an additional $100 million subject to lenders' participation. The New Credit Facility also provides for a Canadian Dollar borrowing sublimit equivalent to $20 million and limits sale leasebacks transactions to $50 million.

In connection with the termination of the Credit Facility and new borrowings under the New Credit Facility, the Company paid off all outstanding borrowings, accrued interest, and fees under the Credit Facility. Borrowings refinanced under the New Credit Facility totaled $186.6 million, net of loan origination fees.

The New Credit Facility will mature on January 10, 2025. No amortization is required with respect to the revolving line of credit, and the term loans require quarterly principal payments at a rate of 7.0% per annum of the original principal balance. Borrowings under the revolving line of credit and term loans denominated in U.S. Dollars, are subject to rates based on the London Interbank Offered Rate ("LIBOR") plus a spread based on leverage or a base rate plus a spread based on leverage (base rate is the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 0.50%, and (c) LIBOR for an Interest Period of one month plus1%). Borrowings denominated in Canadian Dollars, are subject to rates based on LIBOR plus a spread based on leverage or a base rate plus a spread based on leverage (base rate is the highest of (a) the Canadian Prime Rate and (b) the Canadian Dealer Offered Rate ("CDOR Rate") for an interest period of one month plus 1%).

The publication of LIBOR is expected to discontinue in December 2021, however, we anticipate an amended credit agreement will be executed at the new applicable interest rate.

Borrowings under the New Credit Facility are secured by substantially all of the assets of the Company and are available to: (i) refinance certain existing indebtedness of the Company and its subsidiaries, (ii) finance restaurant construction costs, (iii) pay costs, fees, and expenses in connection with such new restaurant construction, (iv) pay any fees and expenses in connection with the New Credit Facility, and (v) provide for the working capital and general corporate requirements of the Company, including permitted acquisitions and the redemption of capital stock.

The Company will continue to be subject to a number of customary covenants under the New Credit Facility, including limitations on additional borrowings, acquisitions, capital expenditures, share repurchases, lease commitments, dividend payments, and requirements to maintain certain financial ratios including the lease adjusted leverage ratio. From the closing date of the New Credit Facility to the end of the Company's fiscal year 2020, the maximum allowed lease adjusted leverage ratio is 5.0. The maximum allowable lease adjusted leverage ratio then decreases to 4.75 during fiscal year 2021 and decreases again to4.50 during fiscal year 2022 and thereafter.

9. Fair Value Measurements

Fair value measurements are made under a three-tier fair value hierarchy, which prioritizes the inputs used in the measuring of fair value:

Level 1: Observable inputs that reflect unadjusted quote prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable, and current accrued expenses and other liabilities approximate fair value due to the short-term nature or maturity of the instruments.

The Company maintains a rabbi trust to fund obligations under a deferred compensation plan. See Note 15, *Employee Benefit Programs.* Amounts in the rabbi trust are invested in mutual funds, which are designated as trading securities and carried at fair value, and are included in Other assets, net in the accompanying consolidated balance sheets. Fair market value of mutual funds is measured using level 1 inputs (quoted prices for identical assets in active markets). The value of the deferred compensation plan liability is dependent upon the fair value of the assets held in the rabbi trust and therefore is not measured at fair value.

The following tables present the Company’s assets measured at fair value on a recurring basis as ofDecember 29, 2019 and December 30, 2018 (in thousands):

	December 29, 2019	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	$ 7,337	$ 7,337	$ —	$ —
Total assets measured at fair value	$ 7,337	$ 7,337	$ —	$ —

	December 30, 2018	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	$ 8,198	$ 8,198	$ —	$ —
Total assets measured at fair value	$ 8,198	$ 8,198	$ —	$ —

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, goodwill, and other intangible assets. These assets are measured at fair value if determined to be impaired.

During 2019 and 2018, the Company measured non-financial assets for impairment semi-annually using continuing and projected future cash flows, as discussed in Note 4, *Other Charges*, which were based on significant inputs not observable in the market and thus represented a level 3 fair value measurement.

Based on our 2019 and 2018 semi-annual impairment analyses, we impaired long-lived assets at29 and 41 company-owned restaurants with carrying values of$17.3 million and $34.1 million, respectively. 19 of the 41 restaurants impaired in 2018 has immaterial impairments. We determined the fair value of these long-lived assets in 2019 and 2018 to be $2.2 million and $6.0 million, respectively, based on level 3 fair value measurements.

Disclosures of Fair Value of Other Assets and Liabilities

The Company’s liability under its Credit Facility is carried at historical cost in the accompanying consolidated balance sheets. The carrying value of the Credit Facility approximates fair value as the interest rate on this instrument approximates current market rates. The interest rate on the Credit Facility represents a level 2 fair value input.

10. Leases

Adoption of FASB Accounting Standards Update ("ASU") 2016-02

On January 1, 2019, we adopted ASU 2016-02, Leases (Topic 842) ("Topic 842") along with related clarifications and improvements using the modified retrospective approach without application to prior periods. This guidance requires the recognition of liabilities for lease obligations and corresponding right-of-use assets on the balance sheet and disclosure of key information about leasing arrangements. We applied the practical expedients that do not require us to reassess existing contracts for embedded leases, to separate lease and non-lease components for our population of real estate assets, or to reassess lease classification or initial direct costs.

The effect of the changes made to our consolidated December 31, 2018 balance sheet as a result of the adoption of Topic 842 was as follows (in thousands):

	Balance at December 30, 2018	Adjustments due to Topic 842	Balance at December 31, 2018
Balance sheet			
Non-current assets			
Right of use assets, net	$ —	$ 478,268	$ 478,268
Prepaid expenses and other current assets	27,576	(6,592)	20,984
Current liabilities			
Short-term portion of lease obligations	786	40,606	41,392
Non-current liabilities			
Deferred Rent	75,675	(75,675)	—
Long-term portion of lease obligations	9,414	506,745	516,159
Stockholders’ equity:			
Retained earnings	$ 376,341	$ (15,172)	$ 361,169

This change did not have any impact on our consolidated statement of operations or consolidated statement of cash flows.

Leases

The Company leases land, buildings, and equipment used in its operations under operating and finance leases. Our leases generally have remaining terms of1-15 years, most of which include options to extend the leases for additional 5-year periods. Generally, the lease term is the minimum of the non-cancelable period of the lease or the lease term inclusive of reasonably certain renewal periods up to a term of 20 years.

We determine if a contract contains a lease at inception. Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases. We estimate this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgment.

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

Some of our leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant’s sales in excess of stipulated amounts. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases are included in right-of-use assets, net, short-term portion of lease obligations, and long-term portion of lease liabilities on our consolidated balance sheet as of December 29, 2019 as follows (in thousands):

	Finance	Operating	Total
Right of use assets, net	$ 7,552	$ 418,696	$ 426,248
Short-term portion of lease obligations	725	41,974	42,699
Long-term portion of lease obligations	8,822	456,613	465,435
Total	$ 9,547	$ 498,587	$ 508,134

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

The components of lease expense, including variable lease costs primarily consisting of common area maintenance charges and real estate taxes, are included in occupancy on our consolidated statement of operations as follows (in thousands):

	Year Ended December 29, 2019
Operating lease cost	$ 75,496
Finance lease cost:	
Amortization of right of use assets	793
Interest on lease liabilities	544
Total finance lease cost	1,337
Variable lease cost	29,300
Total lease costs	$ 106,133

Maturities of our lease liabilities as ofDecember 29, 2019 were as follows (in thousands):

	Finance Leases	Operating Leases	Total
2020	$ 1,065	$ 70,303	$ 71,368
2021	1,133	75,990	77,123
2022	979	73,702	74,681
2023	916	71,670	72,586
2024	932	68,468	69,400
Thereafter	7,506	379,644	387,150
Total future lease liability	12,531	739,777	752,308
Less imputed interest	2,984	241,190	244,174
Present value of lease liability	$ 9,547	$ 498,587	$ 508,134

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting guidance, maturities of lease liabilities were as follows as of December 30, 2018 (in thousands):

	Capital Leases	Operating Leases
2019	$ 1,234	$ 80,367
2020	1,242	76,936
2021	1,240	70,419
2022	1,063	61,649
2023	1,019	54,121
Thereafter	7,552	206,879
Total	13,350	$ 550,371
Less amount representing interest	(3,150)	
Present value of future minimum lease payments	10,200	
Less current portion	(786)	
Long-term capital lease obligations	$ 9,414	

Supplemental cash flow information in thousands (except other information) related to leases is as follows:

	Year Ended December 29, 2019
Cash flows from operating activities	
Cash paid related to lease liabilities	
Operating leases	$ 78,260
Finance leases	512
Cash flows from financing activities	
Cash paid related to lease liabilities	
Finance leases	817
Cash paid for amounts included in the measurement of lease liabilities	$ 79,589
Right of use assets obtained in exchange for operating lease obligations following the adoption of Topic 842 (Leases)	$ 12,580
Right of use assets obtained in exchange for finance lease obligations following the adoption of Topic 842 (Leases)	$ 1,606
Other information related to operating leases as follows:	
Weighted average remaining lease term	10.7 years
Weighted average discount rate	7.4%
Other information related to financing leases as follows:	
Weighted average remaining lease term	12.4 years
Weighted average discount rate	4.9%

11. Income Taxes

Income (loss) before income taxes includes the following components for the fiscal years endedDecember 29, 2019, December 30, 2018, and December 31, 2017 (in thousands):

	2019	2018	2017
U.S.	$ (14,549)	$ (16,045)	$ 32,208
Foreign	(7,688)	(5,365)	(3,188)
	$ (22,237)	$ (21,410)	$ 29,020

The benefit for income taxes for the fiscal years endedDecember 29, 2019, December 30, 2018, and December 31, 2017 consist of the following (in thousands):

	2019	2018	2017
Current:			
Federal	$ (3,054)	$ 2,043	$ 2,304
State	(1,687)	1,579	3,175
Foreign	—	—	—
Total current income tax (benefit) expense	$ (4,741)	$ 3,622	$ 5,479
Deferred:			
Federal	$ (10,994)	$ (16,688)	$ (6,045)
State	1,354	(2,068)	(680)
Foreign	47	143	247
Total deferred income tax benefit	(9,593)	(18,613)	(6,478)
Income tax benefit	$ (14,334)	$ (14,991)	$ (999)

The Company had net operating loss carryforwards for tax purposes of$4.7 million as of December 29, 2019. We expect to utilize all net operating loss carryforwards for federal tax purposes, but state tax carryforwards may begin to expire between 2024 and 2039.

The reconciliation between the income tax provision and the amount of income tax computed by applying the U.S. federal statutory rate to income (loss) before the provision for income taxes as shown in the accompanying consolidated statements of operations and comprehensive (loss) income, for fiscal years ended December 29, 2019, December 30, 2018, and December 31, 2017 is as follows:

	2019	2018	2017
Tax provision at U.S. federal statutory rate	21.0 %	21.0 %	35.0 %
State income taxes	2.2	2.9	5.0
FICA tip tax credits	46.0	49.9	(32.4)
Foreign taxes versus U.S statutory rate	0.8	0.9	0.7
Valuation allowance on deferred income tax assets	(9.1)	(7.5)	4.5
Deferred tax remeasurement due to the Tax Act	—	—	(9.7)
Other tax credits	6.1	7.1	(6.5)
Meals and entertainment	(0.7)	(0.8)	0.9
Excess stock options	(2.9)	(0.6)	(1.0)
Employee travel	(0.1)	(2.1)	—
Other	1.2	(0.8)	—
Effective tax rate	64.5 %	70.0 %	(3.5)%

The Company had a tax benefit in all three years presented above, but due to the mathematical computation of tax benefit to book loss the effective tax rate in 2019 and 2018 are represented as a positive percentage. During 2017, the Company had a tax benefit with book income, which presents the effective tax rate as a negative percentage. The decrease in the Company's effective tax benefit in 2019 is primarily attributable to a decrease in tax credits, and an increase in the valuation allowance for Canada. The increase in the Company's effective tax benefit in 2018 is primarily attributable to the decrease in earnings before income tax, as well as the decrease in the federal statutory rate from 35% to 21% beginning in 2018.

The Company's federal and state deferred taxes at December 29, 2019 and December 30, 2018 are as follows (in thousands):

	2019	2018
Deferred tax assets and (liabilities), net:		
Leasing transactions	$ 18,913	$ 14,603
Stock-based compensation	4,920	5,434
General business and other tax credits	40,409	25,872
Accrued compensation and related costs	5,970	5,938
Advanced payments	3,597	3,783
Other non-current deferred tax assets	7,584	5,412
Other non-current deferred tax liabilities	(1,680)	(2,605)
Goodwill and other amortization, net	(12,138)	(11,003)
Property and equipment	(757)	3,698
Prepaid expenses	(3,387)	(3,600)
Supplies inventory	(4,611)	(4,514)
Subtotal	58,820	43,018
Valuation allowance	(7,293)	(5,177)
Net deferred tax asset	51,527	37,841
Non-current deferred tax asset	52,438	38,688
Non-current deferred tax liability	(911)	(847)
Total	$ 51,527	$ 37,841

As of December 29, 2019, the Company had a deferred tax asset of$39 million related to federal tax credits, which expire at various dates between 2037 and 2039. We currently expect to realize the benefit of this deferred tax asset over the next 5 years based on current projections of future taxable income. Based on the Company's evaluation of its other deferred tax assets, a valuation allowance of approximately $7.3 million has been recorded against the deferred tax asset for state income tax credits and the deferred taxes of our foreign subsidiary, including the net operating loss carry forward, in order to measure only the portion of the deferred tax assets that more likely than not will be realized.

The following table summarizes the Company's unrecognized tax benefits at December 29, 2019 and December 30, 2018 (in thousands):

	2019	2018
Beginning of year	$ 304	$ 287
Increase due to current year tax positions	52	82
Due to decrease to a position taken in a prior year	(170)	(7)
Settlements	(16)	(21)
Reductions related to lapses	(66)	(37)
End of year	$ 104	$ 304

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is approximately $0.1 million. The Company does not anticipate significant changes in the aggregate amount of unrecognized tax benefits within the next 12 months, other than nominal tax settlements.

12. Commitments and Contingencies

In the normal course of business, there are various claims in process, matters in litigation, and other contingencies. These include employment-related claims and claims alleging illness, injury, or other food quality, health, or operational issues. Evaluating contingencies related to litigation is a complex process involving subjective judgment on the potential outcome of future events, and the ultimate resolution of litigated claims may differ from our current analysis. We review the adequacy of accruals and disclosures pertaining to litigation matters each quarter in consultation with legal counsel, and we assess the probability and range of possible losses associated with contingencies for potential accrual in the consolidated financial statements. While it is not possible to predict the outcome of these claims with certainty, management is of the opinion that adequate provision for potential losses associated with these matters has been made in the consolidated financial statements.

Amounts recorded in the periods presented for litigation contingencies related to employment claims are disclosed in Note 4, *Other Charges*.

13. Stockholders' Equity

On August 9, 2018, the Company's board of directors authorized an increase to the Company's share repurchase program of approximately $21 million to a total of $75 million of the Company's common stock. The increased share repurchase authorization became effective on August 9, 2018 and will terminate upon completing repurchases of $75 million of common stock unless otherwise terminated by the board. Purchases under the repurchase program may be made in open market or privately negotiated transactions. Purchases may be made from time to time at the Company's discretion and the timing and amount of any share repurchases will be determined based on share price, market conditions, legal requirements, and other factors. The repurchase program does not obligate the Company to acquire any particular amount of common stock, and the Company may suspend or discontinue the repurchase program at any time. In 2019, the Company purchased 111,800 shares with an average purchase price of $30.86 per share for a total of $3.4 million.

14. Stock Incentive Plans

In May 2017, the Company's stockholders approved the 2017 Performance Incentive Plan (the "2017 Stock Plan"). Following the date of approval, all grants are made under the 2017 Stock Plan and no new awards may be granted under the Second Amended and Restated 2007 Performance Plan (the "2007 Stock Plan"). The 2017 Stock Plan authorizes the issuance of stock options, stock appreciation rights (SARs), and other forms of awards granted or denominated in the Company common stock or unit of the Company's common stock, as well as cash performance awards pursuant to the plan. Persons eligible to receive awards under the 2017 Stock Plan include officers, employees, directors, consultants, and other service providers or any affiliate of the Company. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2017 Stock Plan was 630,182 shares. The 2017 stock plan was amended in May 2019 to add an additional 660,000 shares, bringing the total to 1,290,182 as of December 29, 2019.

Vesting of the awards under the 2017 Stock Plan is determined at the date of grant by the plan administrator. Each award granted under the 2017 Stock Plan and 2007 Stock Plan fully vests, becomes exercisable and/or payable, as applicable, upon a change in control event. However, unless the individual award agreement provides otherwise, with respect to executive and certain other high level officers, upon the occurrence of a change in control, no award will vest unless such officers' employment with the Company is terminated by the Company without cause during the two-year period following such change in control event. Each award expires on such date as shall be determined at the date of grant; however, 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. Vesting of awards under these plans were generally time based over a period of one to four years. As of December 29, 2019, 242,579 options to acquire the Company's common stock remained outstanding under the 2007 Stock Plan and under the 2017 stock plan.

Stock-based compensation costs recognized in 2019, 2018, and 2017 were $3.3 million, $4.0 million, and $4.8 million, respectively, with related income tax benefits of $0.3 million, $0.5 million, and $1.5 million, respectively. As of December 29, 2019, there was $5.9 million of unrecognized compensation cost, excluding estimated forfeitures. Unrecognized compensation costs are expected to be recognized over the weighted average remaining vesting period of approximately 0.88 years for stock options, 1.77 years for the restricted stock units, and 1.81 years for the performance stock units.

Stock Options

The tables below summarize the status of the Company's stock option plans (in thousands, except per share data and exercise price):

	Stock Options	
	Shares	Weighted Average Exercise Price
Outstanding, December 30, 2018	483	$ 56.62
Granted	—	—
Forfeited/expired	(193)	55.39
Exercised	(2)	21.10
Outstanding, December 29, 2019	288	$ 58.33

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 29, 2019	288	$ 58.33	4.73	$ 70,458
Vested and expected to vest as of December 29, 2019 (1)	281	58.34	4.72	70,458
Exercisable as of December 29, 2019	219	58.47	4.60	70,458

(1) The expected to vest options are the result of applying the pre-vesting forfeiture rate assumption to total outstanding options. The Company applies estimated forfeiture rates that are derived from our historical forfeitures of similar awards.

The estimated fair value of each option granted is calculated using the Black-Scholes multiple option-pricing model. No options were granted during 2019. The average assumptions used in the model for the fiscal years ended December 30, 2018 and December 31, 2017 were as follows:

	2019	2018	2017
Risk-free interest rate	— %	2.5 %	1.8 %
Expected years until exercise	0 years	3.2 years	5.0 years
Expected stock volatility	— %	43.4 %	37.9 %
Dividend yield	— %	— %	— %
Weighted average Black-Scholes fair value per share at date of grant	$ —	$ 16.56	$ 17.11
Total intrinsic value of options exercised (in thousands)	$ 20	$ 390	$ 1,676

The risk-free interest rate was based on the rate for zero coupon U.S. Government issues with a remaining term similar to the expected life. The expected life of the options represents the period of time the options are expected to be outstanding and is based on historical trends and Team Member exercise patterns. The expected stock price volatility represents an average of the Company's historical volatility measured over a period approximating the expected life. The dividend yield assumption is based on the Company's history and expectations of dividend payouts.

Time-Based RSUs

During 2019, 2018, and 2017, the Company issued time-based restricted stock units ("RSUs") to certain employees as permitted under the 2017 and 2007 Stock Plans. The Company can grant RSUs to its directors, executive officers and other key employees. The RSUs granted to employees typically vest in equal installments over four years. For the Company's board of directors, RSUs vest in full on the earlier of the one-year anniversary of the grant date or the next annual stockholder meeting. Upon vesting, one share of the Company's common stock is issued for each RSU. The fair value of each RSU granted is equal to the market price of the Company's stock at the date of grant.

The table below summarizes the status of the Company's time-based RSUs under the 2017 and 2007 Stock Plans (shares in thousands):

	Restricted Stock Units	
	Shares	Weighted Average Grant-Date Fair Value (per share)
Outstanding, December 30, 2018	119	$ 53.13
Awarded	211	30.16
Forfeited	(71)	37.50
Vested	(41)	55.43
Outstanding, December 29, 2019	218	$ 35.62

Performance Stock Units

During 2019, 2018, and 2017, the Company granted performance stock unit awards ("PSUs") to certain employees as permitted under the 2017 Stock Plan. Each PSU represents the right to receive one share of the Company's common stock on the payment date, subject to the achievement of the applicable performance goals at target and applicable vesting conditions. Each PSU is divided into three equal tranches with applicable performance periods, typically consisting of a fiscal year. PSUs remain unvested until the last day of the third performance period and are forfeited in the event of termination of employment of a grantee prior to the last day of the third performance period.

The table below summarizes the status of the Company's performance stock units under the 2017 Stock Plan (shares in thousands:

	Performance Stock Units	
	Shares	Weighted Average Grant-Date Fair Value (per share)
Outstanding, December 30, 2018	63	$ 55.35
Awarded	141	29.40
Forfeited	(96)	37.43
Vested	—	—
Outstanding, December 29, 2019	108	$ 37.25

Long-Term Cash Incentive Plan

Beginning in 2017, the long-term cash incentive plan is based on operational metrics withthree one-year performance periods. Prior to 2017, the long-term cash incentive plan was based on operational metrics with one three-year performance period. Compensation expense is recognized over the performance period based on the plan-to-date performance achievement. The awards cliff vest at the end of each three-year performance cycle. In 2019, 2018 and 2017, the Company recorded $0.2 million, $0.7 million and $0.4 million, respectively, in compensation expense related to the 2017 long-term cash incentive plan.

No long-term cash incentive plan payouts occurred during 2019 or 2018. AtDecember 29, 2019 and December 30, 2018, a $1.1 million and $0.7 million long-term cash incentive plan liability was included in Accrued payroll and payroll-related liabilities in the consolidated balance sheets.

15. Employee Benefit Programs

Employee Deferred Compensation Plan

The Company offers a deferred compensation plan that permits key employees and other members of management defined as highly compensated employees under the IRS code to defer portions of their compensation in a pre-tax savings vehicle that allows for retirement savings above 401(k) limits. Under this plan, eligible Team Members may elect to defer up to

75% of their base salary and up to 100% of variable compensation and commissions each plan year. Beginning in 2019, the Company did not make matching contributions under the deferred compensation plan because the Company amended its 401(k) plan to allow a broader group, including highly compensated employees, to participate and receive matching contributions under the 401(k) plan. Prior to 2019, the board of directors authorized matching contributions equal to 50% of the first 4% of compensation that was deferred by the participant. The Company recognized immaterial matching contribution expenses in 2018 and 2017 related to the deferred compensation plan.

The assets of the deferred compensation plan are held in a rabbi trust, where they are invested in certain mutual funds that cover an investment spectrum ranging from equities to money market instruments and are available to satisfy the claims of the Company's creditors in the event of bankruptcy or insolvency. These mutual funds have published market prices and are reported at fair value. See Note 9, *Fair Value Measurements*. Changes in the market value of the investments held in the trust result in the recognition of a corresponding gain or loss reported in Interest income and other, net in the consolidated statements of operations and comprehensive income (loss). A corresponding change in the liability associated with the deferred compensation plan results in an offsetting deferred compensation expense, or reduction of expense, reported in Selling, general, and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

The Company recognized $1.1 million of deferred compensation expense in 2019, an immaterial amount of deferred compensation expense in 2018, and $1.0 million in 2017. As of December 29, 2019 and December 30, 2018, $7.3 million and $8.2 million, respectively, of deferred compensation asset is included in Other assets, net and $7.3 million and $8.2 million, respectively, of deferred compensation plan liability is included in Other non-current liabilities in the accompanying consolidated balance sheets.

Employee Stock Purchase Plan

In July 2017, the Company adopted the Amended and Restated Employee Stock Purchase Plan (the "New Plan"). The New Plan authorized 100,000 shares of the Company's common stock for issuance. Under the New Plan, eligible Team Members may voluntarily contribute up to 15% of their salary, subject to limitations, to purchase common stock at a price equal to 85% of the fair market value of a share of the Company's common stock on the first day of each offering period or 85% of the fair market value of a share of the Company's common stock on the last day of each offering period, whichever amount is less. In general, all of the Company's officers and Team Members who have been employed by the Company for at least one year and who are regularly scheduled to work more than 20 hours per week are eligible to participate in this plan which operates in successive six month periods commencing on each January 1 and July 1 of each fiscal year. During 2019, the Company issued a total of 29,582 shares under the New Plan with 52,451 shares available for future issuance. During 2018, the Company issued a total of 10,360 shares under the New Plan.

For 2019, in accordance with the guidance for accounting for stock compensation, the Company estimated the fair value of the awards granted pursuant to the stock purchase plan using the Black-Scholes multiple-option pricing model. The average assumptions used in the model included 1.51% risk-free interest rate, 0.5 year expected life, expected volatility of 41.82%, and 0% dividend yield. The weighted average fair value per share at grant date was $7.56. For 2018, the average assumptions used in the model included 2.05% risk-free interest rate, 0.5 year expected life, expected volatility of 39.92%, and 0% dividend yield. The weighted average fair value per share at grant date was $5.19. The Company recognized $0.2 million of compensation expense related to this plan in fiscal year 2019, $0.1 million in fiscal year 2018, and $0.2 million in fiscal year 2017.

Employee Defined Contribution Plan

The Company maintains a 401(k) Savings Plan ("401K Plan") which covers eligible Team Members who have satisfied the service requirements and reached 21 years of age. The 401K Plan, which qualifies under Section 401(k) of the Internal Revenue Code, allows Team Members to defer specified percentages of their compensation on a pre-tax basis. The Company may make matching contributions in an amount determined by the board of directors. In addition, the Company may contribute each period, at its discretion, an additional amount from profits. In 2019, the board of directors authorized an increase to employer matching contributions equal to 100% of the first 3% of compensation and 50% on the next 2% of compensation. The Company matches contributions when the employee contribution is made, and the employer matching contributions are not subject to a vesting schedule. Prior to 2019, the Company matched employee contributions equal to 50% of the first 4% of compensation that was deferred by the participant consistent with the Company's vesting schedule. The Company recognized matching contribution expense of $3.0 million in 2019, $0.9 million in 2018, and $0.7 million in 2017.

16. Quarterly Results of Operations (unaudited)

The following tables summarize the unaudited consolidated quarterly financial information for fiscal years 2019 and 2018 (in thousands, except per share data):

2019	Q1 (16 weeks)	Q2 (12 weeks)	Q3 (12 weeks)	Q4 (12 weeks)	2019 (52 weeks)
Total revenues	$ 409,866	$ 307,981	$ 294,222	$ 302,945	$ 1,315,014
Income (loss) from operations	$ 3,401	$ (12,852)	$ (5,223)	$ 1,547	$ (13,127)
Net income (loss)	$ 639	$ 981	$ (1,821)	$ (7,702)	$ (7,903)
Basic earnings (loss) per share	$ 0.05	$ 0.08	$ (0.14)	$ (0.60)	$ (0.61)
Diluted earnings (loss) per share	$ 0.05	$ 0.08	$ (0.14)	$ (0.60)	$ (0.61)

2018	Q1 (16 weeks)	Q2 (12 weeks)	Q3 (12 weeks)	Q4 (12 weeks)	2018 (52 weeks)
Total revenues	$ 421,519	$ 315,388	$ 294,877	$ 306,779	$ 1,338,563
Income (loss) from operations	$ 7,019	$ (4,214)	$ 1,805	$ (15,095)	$ (10,485)
Net income (loss)	$ 4,380	$ (1,874)	$ 1,709	$ (10,634)	$ (6,419)
Basic earnings (loss) per share	$ 0.34	$ (0.14)	$ 0.13	$ (0.82)	$ (0.49)
Diluted earnings (loss) per share	$ 0.34	$ (0.14)	$ 0.13	$ (0.82)	$ (0.49)

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of such period, are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act are:

- Recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and
- Accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 29, 2019. In making this assessment, the Company's management used the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment and those criteria, management believes that, as of December 29, 2019, the Company's internal control over financial reporting is effective.

KPMG, an independent registered public accounting firm, has issued an attestation report on the Company's internal control over financial reporting included herein.

Inherent Limitations of Internal Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and misstatements are prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Red Robin Gourmet Burgers, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Red Robin Gourmet Burgers, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 29, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 29, 2019 and December 30, 2018, the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 25, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Denver, Colorado
February 25, 2020

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Our board of directors has adopted codes of ethics that apply to all of our directors, officers, and employees, including our chief executive officer, chief financial officer, and all of the finance team. The full text of our codes of ethics can be found on the investor relations page of our website at *www.redrobin.com*. We intend to disclose any changes in or waivers from the codes of ethics by posting such information on our corporate website or by filing a Current Report on Form 8-K.

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2020 annual stockholders' meeting and is incorporated by reference in this report. Certain information concerning our executive officers is included in Item 1 of Part I of this report and is hereby incorporated by reference.

ITEM 11. Executive Compensation

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2020 annual stockholders' meeting and is hereby incorporated by reference in this report.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2020 annual stockholders' meeting and is hereby incorporated by reference in this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2020 annual stockholders' meeting and is hereby incorporated by reference in this report.

ITEM 14. Principal Accounting Fees and Services

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2020 annual stockholders' meeting and is hereby incorporated by reference in this report.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) **Exhibits and Financial Statement Schedules**

(1) Our Consolidated Financial Statements and Notes thereto are included in Item 8 of this Annual Report on Form 10-K. See “Financial Statements and Supplementary Data-Red Robin Gourmet Burgers, Inc. - Index” for more detail.

(2) All financial schedules have been omitted either because they are not applicable or because the required information is provided in our Consolidated Financial Statements and Notes thereto, included in Item 8 of this Annual Report on Form 10-K.

(3) Index to Exhibits

Exhibit Number	Description
(3.1)	Restated Certificate of Incorporation of Red Robin Gourmet Burgers, Inc., dated as of May 28, 2015. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 29, 2015.
(3.2)	Fourth Amended and Restated Bylaws dated May 24, 2012. Incorporated by reference to Exhibit 3.2 to our Quarterly Report on Form 10- Q filed on August 10, 2012 (File No. 001-34851).
(3.3)	Amendment No. 1 dated February 13, 2013 to Fourth Amended and Restated Bylaws dated May 24, 2012. Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 19, 2013 (File No. 001-34851).
(4.1)	Specimen stock certificate. Incorporated by reference to Exhibit 4.1 to Amendment No. 1 of our Registration Statement on Form S-1 filed on June 10, 2002 (Registration No. 333-87044).

Exhibit Number	Description
4.2	Description of Capital Stock
(10.1)*	Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan. Incorporated by reference to Appendix A to our Definitive Proxy Statement filed on April 21, 2011 (File No. 001-34851).
(10.2)*	Form of Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan Nonqualified Stock Option Agreement. Incorporated by reference to Exhibit 10.7 to our Annual Report on Form 10-K filed on February 23, 2012 (File No. 001-34851).
(10.3)*	Form of Red Robin Gourmet Burgers, Inc. 2007 Performance Incentive Plan Restricted Stock Grant Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 22, 2009 (File No. 000-49916).
(10.4)*	Form of Red Robin Gourmet Burgers, Inc. 2007 Performance Incentive Plan Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 22, 2009 (File No. 000-49916).
(10.5)*	Form of Red Robin Gourmet Burgers, Inc. Amended and Restated 2007 Performance Incentive Plan Performance-Based Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 21, 2010 (File No. 000-49916).
(10.6)*	Form of Red Robin Gourmet Burgers, Inc. Restricted Stock Unit Grant Agreement for Non-Employee Directors. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form10-Q filed on August 13, 2010 (File No. 001-34851).
(10.7)*	Form of Red Robin Gourmet Burgers, Inc. Amended and Restated 2007 Performance Incentive Plan Outside Director Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 21, 2010 (File No. 000-49916).
(10.8)*	Form of Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan Nonqualified Stock Option Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 23, 2014.
(10.9)*	Form of Red Robin Gourmet Burgers, Inc. Second Amended and Restated 2007 Performance Incentive Plan Restricted Stock Unit Grant Agreement. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 23, 2014.
(10.10)*	Red Robin Gourmet Burgers, Inc. Employee Stock Purchase Plan. Incorporated by reference to Exhibit 10.5 to Amendment No. 4 of our Registration Statement on Form S-1 filed on July 17, 2002 (Registration No. 333-87044).
(10.11)*	First Amendment to Red Robin Gourmet Burgers, Inc. Employee Stock Purchase Plan dated August 4, 2009. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 7, 2009 (File No. 000-49916).
(10.12)*	Second Amendment to Red Robin Gourmet Burgers, Inc. Employee Stock Purchase Plan dated December 21, 2009. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 24, 2009 (File No. 000-49916).
(10.13)*	Red Robin Gourmet Burgers, Inc. Amended and Restated Employee Stock Purchase Plan. Incorporated by reference to Appendix B to our Definitive Proxy Statement filed on April 4, 2017.
(10.14)*	Red Robin Gourmet Burgers, Inc. Deferred Compensation Plan, dated January 1, 2003. Incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K filed on March 12, 2004 (File No. 000-49916).
(10.15)*	Red Robin Gourmet Burgers, Inc. Deferred Compensation Plan as Amended and Restated on December 15, 2015. Incorporated by reference to Exhibit 10.16 to our Annual Report on Form 10-K filed on February 19, 2016.
(10.16)*	Form of Indemnification Agreement entered into by and between Red Robin Gourmet Burgers, Inc. and each of our directors and certain executive officers. Incorporated by reference to Exhibit 10.20 to Amendment No. 3 of our Registration Statement on Form S-1 filed on July 12, 2002 (Registration No. 333-87044).

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Exhibit Number	Description
(10.17)*	Form of Change in Control Agreement between Red Robin Gourmet Burgers, Inc. and certain executive officers dated March 10, 2008. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on March 14, 2008 (File No. 000-49916).
(10.18)*	Credit Agreement, dated December 14, 2012.Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 17, 2012 (File No. 001-34851).
(10.19)*	Security Agreement, dated December 14, 2012. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on December 17, 2012 (File No. 001-34851).
(10.20)*	Red Robin Gourmet Burgers, Inc. Cash Incentive Plan, effective as of May 28, 2015. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 29, 2015.
(10.21)*	Form of Red Robin Gourmet Burgers, Inc. Cash Incentive Plan Performance Based Cash Award Agreement. Incorporated by reference to Exhibit 10.11 to our Annual Report on From 10-K filed on February 19, 2016.
(10.22)*	Form of Cash Performance Award Agreement under the Red Robin Gourmet Burgers, Inc. Cash Incentive Plan. Incorporated by reference to Exhibit 10.40 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.23)*	Credit Agreement, dated June 30, 2016. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 5, 2016.
(10.24)*	First Amendment to Credit Agreement, dated April 13, 2017. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 17, 2017.
(10.25)	Security Agreement, dated June 30, 2016. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 5, 2016.
(10.26)	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Stephen E. Carley, dated August 11, 2010. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 12, 2010 (File No. 000-49916).
(10.27)*	First Amendment to Employment Agreement between Red Robin Gourmet Burgers, Inc. and Stephen E. Carley, dated August 8, 2016. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 8, 2016.
(10.28)*	Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Appendix A to our Definitive Proxy Statement filed on April 4, 2017.
(10.29)*	Form of Performance Stock Unit Award Agreement under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.30)*	Form of Cash Performance Award Agreement under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Exhibit 10.42 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.31)*	Form of Performance Stock Unit Award Agreement under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan. Incorporated by reference to Exhibit 10.43 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.32)*	Red Robin Gourmet Burgers, Inc. Executive Change in Control Severance Plan. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on August 22, 2018.
(10.33)*	Second Amended & Restated Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Denny Marie Post, dated August 20, 2018. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on August 22, 2018.
(10.34)*	Amended & Restated Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Guy J. Constant, dated August 20,2018. Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on August 22, 2018.
(10.35)*	Amended & Restated Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Jonathan A. Muhtar, dated August 20, 2018. Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on August 22, 2018.

Exhibit Number	Description
(10.36)*	Amended & Restated Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Carin Stutz, dated August 20, 2018. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on August 22, 2018.
(10.37)*	Amended & Restated Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Michael L. Kaplan, dated August 20, 2018. Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on August 22, 2018.
(10.38)*	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Beverly K. Carmichael, dated December 7, 2017. Incorporated by reference to Exhibit 10.38 to our Annual Report on Form 10-K filed on February 27, 2018.
(10.39*)	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Lynn. S. Schweinfurth, dated December 31, 2018. Incorporated by reference to Exhibit 10.39 to our Annual Report on Form 10-K filed on February 27, 2019.
10.40*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Performance Stock Unit Award Agreement
10.41*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Cash Performance Award Agreement
10.42*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Restricted Stock Unit Grant Agreement
10.43*	Form of Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan Nonqualified Stock Option Agreement
(21.1)	List of Subsidiaries. Incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K filed on February 25, 2010 (File No. 000-49916).
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.
101	The following financial information from the Annual Report on Form 10-K of Red Robin Gourmet Burgers, Inc. for the year ended December 29, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 29, 2019 and December 30, 2018; (ii) Consolidated Statements of Operations for the years ended December 29, 2019, December 30, 2018, and December 31, 2017; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 29, 2019, December 30, 2018, and December 31, 2017; (iv) Consolidated Statements of Cash Flows for the years ended December 29, 2019, December 30, 2018, and December 31, 2017; and (v) the Notes to Consolidated Financial Statements.

( ) Exhibits previously filed in the Company's periodic filings as specifically noted.

* Executive compensation plans and arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		RED ROBIN GOURMET BURGERS, INC. (Registrant)
February 25, 2020	By:	/s/ PAUL MURPHY
(Date)		Paul Murphy *(Chief Executive Officer)*

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PAUL MURPHY Paul Murphy	President and Chief Executive Officer (Principal Executive Officer and Director)	February 25, 2020
/s/ LYNN S. SCHWEINFURTH Lynn S. Schweinfurth	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 25, 2020
/s/ DAVID A. PACE David A. Pace	Chairperson of the Board	February 25, 2020
/s/ TOM CONFORTI Tom Conforti	Director	February 25, 2020
/s/ CAMMIE W. DUNAWAY Cammie W. Dunaway	Director	February 25, 2020
/s/ G.J. HART G.J. Hart	Director	February 25, 2020
/s/ KALEN F. HOLMES Kalen F. Holmes	Director	February 25, 2020
/s/ GLENN B. KAUFMAN Glenn B. Kaufman	Director	February 25, 2020
/s/ STEVEN K. LUMPKIN Steven K. Lumpkin	Director	February 25, 2020
/s/ STUART I. ORAN Stuart I. Oran	Director	February 25, 2020
/s/ ALLISON PAGE Allison Page	Director	February 25, 2020

Exhibit 4.2

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 45,000,000 shares of common stock, $0.001 par value per share, and 3,000,000 shares of preferred stock, par value $0.001 per share.

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 3,000,000 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.

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, currently owns, or within the past three years, owned 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 with or without cause, but 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

Transfer agent and registrar

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

Exhibit 10.40

RED ROBIN GOURMET BURGERS, INC.
2017 PERFORMANCE INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS AWARD AGREEMENT is made and entered into as of ____________ (the "Date of Grant"), by and between **Red Robin Gourmet Burgers, Inc.** (the "Company"), and **[EMPLOYEE]** ("Grantee").

WHEREAS, the Board of Directors of the Company (the "Board of Directors") has adopted the Company's 2017 Performance Incentive Plan, as may be amended from time to time (the "Plan");

WHEREAS, the Plan provides for the granting of Other Stock-Based Awards, including performance stock units, to eligible participants as determined by the Committee; and

WHEREAS, the Committee has determined that Grantee is eligible to receive a performance stock unit ("PSU") award under the Plan and has determined that it would be in the best interest of the Company to grant to Grantee the performance stock unit award provided for herein.

NOW, THEREFORE, the Company and Grantee agree as follows:

1. Grant of Award. The Company hereby grants to Grantee _________ PSUs (the "Target PSUs") as described in this Award Agreement (the "Performance Stock Unit Award"). As more fully described in Section 4, each PSU represents the right to receive one share of Stock on the Payment Date (defined below), subject to the achievement of the applicable Performance Goals at target and satisfaction of applicable vesting conditions, and Grantee's continued employment or service with the Company through and including December 25, 2022 (the "Vesting Date").

2. Award Subject to Plan. This Award is granted pursuant to and is expressly subject to the terms and conditions of the Plan, which terms are incorporated herein by reference.

3. Performance Period. The performance period of the Performance Stock Unit Award is the period commencing December 30, 2019 and ending December 26, 2021 (the "Performance Period").

4. Calculation of Amount Earned. The amount of Grantee's Performance Stock Unit Award is measured by the following metric: Cumulative EBITDA (as defined below). The total number of PSUs earned, if any, shall be the amounts earned in respect of the performance metric as set forth below.

Cumulative EBITDA Amount earned in respect of this metric shall equal: (Target PSUs * Payout %)		
Performance Level of Achievement	**Cumulative EBITDA for the Performance Period as a Percentage of Target**	**Payout %***
Threshold	85%	25%
Target	100%	100%
Maximum	115%	200%

* If the Company's performance during the Performance Period falls between any of the percentages in the table above, the Payout %, shall be calculated using linear interpolation (e.g. if Cumulative EBITDA for the Performance Period is 103% of the target, the Payout % would be 120%; and if Cumulative EBITDA for the Performance Period is 90% of the target, the Payout % would be 50%). No PSUs shall be earned if actual Cumulative EBITDA for the Performance Period is less than the threshold performance level.

The Cumulative EBITDA target to be used in accordance with the table above has been established in writing by the Committee, but such target is not set forth herein and the parties agree that it shall not be specifically disclosed to Grantee as it relates to or contains future financial goals of the Company which have not and will not be disclosed to the public. Pursuant to its authority under the Plan, the Committee may appropriately adjust the otherwise determined Cumulative EBITDA to remove the effect of any one or more of the following: equity compensation expense under ASC 718; accelerated amortization of acquired technology and intangibles; asset write-downs; litigation or claim judgments, settlements or reserves; changes in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; discontinued operations; restaurant closure costs; executive transition costs; acquisition and dispositions; a material change in planned capital expenditures; and any items that are unusual in nature, non-recurring or infrequent in occurrence, in accordance with such guidelines established by the Committee from time to time.

5. Payment of Performance Stock Unit Award. Subject to early termination of this Award Agreement pursuant to Section 6 or Section 7, the Company will issue to Grantee shares of Stock representing the aggregate earned PSUs, if any, based upon the extent of achievement of the Performance Goals established by the Committee in accordance with Section 4, and subject to Grantee's continued employment or service with the Company through the Vesting Date. Such issuance, if any, will be made by the Company after the Vesting Date but by no later than March 15 of the year after the year in which the Vesting Date occurs (the "Payment Date"). Neither dividends nor dividend equivalents will accrue or be paid on Grantee's PSUs.

6. Vesting; Termination of Employment. Except as set forth in this Section and in Section 7, Grantee's Performance Stock Unit Award will remain unvested until the Vesting Date and, in the event that Grantee experiences a Termination of Employment prior to the Vesting Date, this Award Agreement will terminate and be of no further force or effect as of the date of any such Termination of Employment. Notwithstanding the foregoing, in the event of Grantee's death, Disability or Retirement (each, a "Vesting Event") prior to the Vesting Date, each Performance Stock Unit Award will be payable at the time set forth in Section 5 as follows:

(a) If the Vesting Event occurs after the completion of the Performance Period, the number of shares of Stock earned will be based on the extent to which the Performance Goals established under Section 4 have been achieved; and

(b) If the Vesting Event occurs before completion of the Performance Period, the number of shares of Stock earned will be based on the extent to which the Performance Goals established under Section 4 have been achieved as of the last day of such Performance Period, except that the number of shares of Stock earned will be pro-rated based on (i) the number of days which have elapsed during such Performance Period up to and including the day such Vesting Event occurs, divided by (ii) the number of days in the Performance Period.

For purposes of this Section, the term "Retirement" means the voluntary termination of employment by Grantee from the Company when Grantee's age plus years of service with the Company (in each case measured in complete, whole years) equals or exceeds 67, provided that at the date of termination Grantee is at least 58 years of age and has completed at least five (5) years of service with the Company.

7. Change in Control. In the event the Company experiences a Change in Control prior to the Vesting Date, then, effective as of the date of such Change in Control, the Performance Stock Unit Award will be deemed to have been earned as follows:

(a) If the Change in Control occurs on or prior to the completion of 50% of the Performance Period, the number of shares of Stock earned will equal the number of Target PSUs (in other words, the earned shares of Stock will be determined as if the Performance Goals had been achieved at target);

(b) If the Change in Control occurs after the completion of the Performance Period, the number of shares of Stock earned will be based on the extent to which the Performance Goals established under Section 4 have been achieved; and

(c) If the Change in Control occurs after completion of 50% or more but less than all of the Performance Period, the number of shares of Stock earned will based upon the extent to which the Performance Goals established under Section 4 have been achieved, except that the applicable Performance Goals for such truncated Performance Period will be pro-rated and the Company's performance against such Performance Goals determined by the Committee in good faith as of the date of the Change in Control.

The value of each earned share as of the Change in Control shall be based on the value of the consideration paid to shareholders generally in connection with the Change in Control or, if the Change in Control does not result in any payment to shareholders, the fair market value of the Company as of the date of the Change in Control, in each case as determined by the Board of Directors in good faith. Payment shall be made in cash as soon as practicable after the Change in Control, but in no event later than March 15 of the year after the year in which the Change in Control occurs.

8. Tax Withholding. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee. In accordance with the terms of the Plan, and such rules as may be adopted by the Committee under the Plan, to satisfy Grantee's federal and state tax withholding obligations arising from the vesting and payment of the Performance Stock Award, the Company shall be permitted in its discretion to withhold shares of Common Stock otherwise to be delivered to Grantee having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional shares of Common Stock. Any additional withholding amounts owed by Grantee due to the inability to deliver fractional shares will be deducted from Grantee's next paycheck.

9. Tax Consideration. The Company has advised Grantee to seek Grantee's own tax and financial advice with regard to the federal and state tax considerations resulting from Grantee's receipt of the Performance Stock Unit Award pursuant to this Award Agreement. Grantee understands that the Company will report to appropriate taxing authorities the payment to Grantee of compensation income upon the vesting and payment of the Performance Stock Unit Award. Grantee understands that he or she is solely responsible for the payment of all federal and state taxes resulting from this grant of Performance Stock Unit Award. With respect to tax withholding amounts, the Company has all of the rights specified in Section 8 of this Award Agreement and has no obligations to Grantee except as expressly stated in Section 8 of this Award Agreement.

10. Non-Solicitation. Grantee, for the twelve (12)-month period immediately following the date of termination of Grantee's employment, shall not, either on his or her own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner, or shareholder, or otherwise on behalf of any other person, firm, or corporation, directly or indirectly solicit or attempt to solicit away from the Employer any of its employees or offer employment to any person who, on or during the six (6) months immediately preceding the date of such solicitation or offer, is or was an employee of the Employer. Grantee agrees that the covenant set forth in this Section 10 is reasonable with respect to its duration, geographical area and scope. In the event that the geographic or temporal scope of the covenant contained herein or the nature of the business or activities restricted hereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provisions shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

11. Injunctive Relief. The parties hereto agree that either party hereto would suffer irreparable harm from a breach by the other party of any of the covenants or agreements contained in Section 10, for which there is no adequate remedy at law. Therefore, in the event of the actual or threatened breach by a party of any of the provisions of this Award Agreement, the other party, and in the case of the Company, its respective successors or assigns, may, in addition and supplementary to other rights and remedies existing in their favor, apply to any court of law or equity of competent jurisdiction for specific performance, injunctive or other relief (without the necessity of posting bond or security) in order to enforce compliance with, or prevent any violation of, the provisions hereof; and that, in the event of such breach or threat thereof by one party, the other party shall be entitled to obtain a temporary restraining order and/or a preliminary injunction restraining the other party from engaging in activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein.

12. Notices. Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to Grantee at the address last reflected on the Company's payroll records (including via e-mail if Grantee is then employed by the Company), or at such other address as either party may hereafter designate in writing to the other. Any such notice (if not sent via e-mail) shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if Grantee is no longer employed by the Company or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions in this Section 12.

13. Conflicts and Interpretation. In the event of a conflict or inconsistency between the terms and conditions of this Award Agreement and of the Plan, the terms and conditions of the Plan shall govern. Grantee agrees to be bound by the terms of the Plan and this Award Agreement. Grantee acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

14. Entire Agreement; Amendment. Except as may otherwise be provided in any employment, severance or other agreement between the Company and Grantee, or any Company plan in which Grantee participates, this Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Company may modify, amend or waive the terms of the Performance Stock Unit Award, prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of Grantee without his or her consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by such party of a provision of this Award Agreement.

15. Choice of Law. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

16. **Binding Effect.** This Award Agreement shall bind Grantee and the Company and their beneficiaries, survivors, executors, administrators and transferees.

17. **Limitations; No Employment/Service Commitment.** Nothing contained in this Award Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects Grantee's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon Grantee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease Grantee's other compensation. Payment of any Performance Stock Unit Award amount is not secured by a trust, insurance contract or other funding medium, and Grantee does not have any interest in any fund or specific assets of the Company or any of its Affiliates by reason of this Performance Stock Unit Award. Grantee has no rights as a stockholder of the Company pursuant to this Award Agreement until and unless shares of Stock are actually delivered to Grantee.

18. **Code Section 409A.** The Performance Stock Unit Award granted under this Award Agreement is intended to fit within the "short-term deferral" exemption from section 409A of the Internal Revenue Code. In administering this Award Agreement, the Company shall interpret this Award Agreement in a manner consistent with such exemption.

19. **Forfeiture.** Grantee must reimburse or forfeit to the Company any payment received or to be received hereunder by Grantee to the extent required by the clawback policy adopted by the Board of Directors.

20. **Non-Transferability.** Performance Stock Units shall not be transferable except by will or the laws of descent and distribution or pursuant to a beneficiary designation, or as otherwise permitted by the Plan. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Grantee. Grantee agrees that the Performance Stock Units will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. Any purported assignment, alienation, pledge, attachment, sale, transfer or other encumbrance of shares of unvested Performance Stock Units that does not satisfy the requirements of this Agreement and the Plan shall, prior to the payment of forfeiture of the Performance Stock Unit Award, be void and unenforceable against the Company.

21. **Definitions.** To the extent not specifically defined in this Award Agreement, each capitalized term used in this Award Agreement has the meaning ascribed to such term in the Plan.

22. **Committee Administration.** The Committee has sole and exclusive responsibility for construing and interpreting this Award Agreement and for resolving all questions arising under this Award Agreement. Any decision or action taken by the Committee arising out of, or in connection with, the construction, administration, interpretation and effect of this Award Agreement will be conclusive and binding upon all persons.

23. **Severability.** The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of this Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

IN WITNESS WHEREOF, the Company has executed this Award Agreement as of the Date of Grant.

Red Robin Gourmet Burgers, Inc.

By:

Its:

Exhibit 10.41

RED ROBIN GOURMET BURGERS, INC.
2017 PERFORMANCE INCENTIVE PLAN
CASH PERFORMANCE AWARD AGREEMENT

THIS AWARD AGREEMENT is made and entered into as of ____________ (the "Date of Grant"), by and between **Red Robin Gourmet Burgers, Inc.** (the "Company"), and **[EMPLOYEE]** ("Grantee").

WHEREAS, the Board of Directors of the Company (the "Board of Directors") has adopted the Company's 2017 Performance Incentive Plan, as may be amended from time to time (the "Plan");

WHEREAS, the Plan provides for the granting of Cash Performance Awards to eligible participants as determined by the Committee; and

WHEREAS, the Committee has determined that Grantee is eligible to receive a Cash Performance Award under the Plan and has determined that it would be in the best interest of the Company to grant to Grantee the Cash Performance Award provided for herein.

NOW, THEREFORE, the Company and Grantee agree as follows:

1. Grant of Award. The Company hereby grants to Grantee the right to receive a cash bonus (Grantee's "Cash Award") with a target value of ___________ (the "Target Value"), the payment of which is subject to the achievement of the applicable Performance Goals and satisfaction of applicable vesting conditions, and Grantee's continued employment or service with the Company through and including December 25, 2022 (the "Vesting Date").

2. Award Subject to Plan. This Award is granted pursuant to and is expressly subject to the terms and conditions of the Plan, which terms are incorporated herein by reference.

3. Performance Period. The performance period of the Cash Award is the period commencing December 30, 2019 and ending December 26, 2021 (the "Performance Period").

4. Calculation of Amount Earned. The amount of Grantee's Cash Award is measured by the following metric: Cumulative EBITDA (as defined below). The total Cash Award amount, if any, shall be the amounts earned in respect of the performance metric as set forth below.

Cumulative EBITDA Amount earned in respect of this metric shall equal: (Target Value * Payout %)		
Performance Level of Achievement	**Cumulative EBITDA for the Performance Period as a Percentage of Target**	**Payout %***
Threshold	85%	25%
Target	100%	100%
Maximum	115%	200%

* If the Company's performance during the Performance Period falls between any of the percentages in the table above, the Payout %, shall be calculated using linear interpolation (e.g. if Cumulative EBITDA for the Performance Period is 103% of the target, the Payout % would be 120%; and if Cumulative EBITDA for the Performance Period is 90% of the target, the Payout % would be 50%). No Cash Award shall be earned if actual Cumulative EBITDA for the Performance Period is less than the threshold performance level.

The Cumulative EBITDA target to be used in accordance with the table above has been established in writing by the Committee, but such target is not set forth herein and the parties agree that it shall not be specifically disclosed to Grantee as it relates to or contains future financial goals of the Company which have not and will not be disclosed to the public. Pursuant to its authority under the Plan, the Committee may appropriately adjust the otherwise determined Cumulative EBITDA to remove the effect of any one or more of the following: equity compensation expense under ASC 718; accelerated amortization of acquired technology and intangibles; asset write-downs; litigation or claim judgments, settlements or reserves; changes in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; discontinued operations; restaurant closure costs; executive transition costs; acquisition and dispositions; a material change in planned capital expenditures; and any items that are unusual in nature, non-recurring or infrequent in occurrence, in accordance with such guidelines established by the Committee from time to time.

5. Payment of Cash Award. Subject to early termination of this Award Agreement pursuant to Section 6 or Section 7, the Company will pay to Grantee the aggregate earned Cash Award, if any, based upon the extent of achievement of the Performance Goals established by the Committee in accordance with Section 4, and subject to Grantee's continued employment or service with the Company through the Vesting Date. Such payment, if any, will be made by the Company after the Vesting Date but by no later than March 15 of the year in which the Vesting Date occurs (the "Payment Date").

6. Vesting; Termination of Employment. Except as set forth in this Section and in Section 7, Grantee's Cash Award will remain unvested until the Vesting Date and, in the event that Grantee experiences a Termination of Employment prior to the Vesting Date, this Award Agreement will terminate and be of no further force or effect as of the date of any such Termination of Employment. Notwithstanding the foregoing, in the event of Grantee's death, Disability, or Retirement (each, a "Vesting Event") prior to the Vesting Date, the Cash Award will vest and be payable at the time set forth in Section 5 as follows:

(a) If the Vesting Event occurs after the completion of the Performance Period, the amount of the Cash Award earned will be based on the extent to which the Performance Goals established under Section 4 have been achieved; and

(b) If the Vesting Event occurs before completion of the Performance Period, the amount of the Cash Award earned will be based on the extent to which the Performance Goals established under Section 4 have been achieved as of the last day of the Performance Period, except that the amount of the Cash Award earned will be pro-rated based on (i) the number of days which have elapsed during such Performance Period up to and including the day such Vesting Event occurs, divided by (ii) the number of days in the Performance Period.

For purposes of this Section, the term "Retirement" means the voluntary termination of employment by Grantee from the Company when Grantee's age plus years of service with the Company (in each case measured in complete, whole years) equals or exceeds 67, provided that at the date of termination Grantee is at least 58 years of age and has completed at least five (5) years of service with the Company.

7. Change in Control. In the event the Company experiences a Change in Control prior to the Vesting Date, then, effective as of the date of such Change in Control, the Cash Award will be deemed to have been earned as follows:

(a) If the Change in Control occurs on or prior to the completion of 50% of the Performance Period, the amount of the Cash Award earned will equal the Target Value (in other words, Grantee's Cash Award will be determined as if the Performance Goals had been achieved at target);

(b) If the Change in Control occurs after the completion of the Performance Period, the amount of the Cash Award earned will be based on the extent to which the Performance Goals established under Section 4 have been achieved; and

If the Change in Control occurs after completion of 50% or more but less than all of the Performance Period, the amount of the Cash Award earned will based upon the extent to which the Performance Goals established under Section 4 have been achieved, except that the applicable Performance Goals for such truncated Performance Period will be pro-rated and the Company's performance against such Performance Goals determined by the Committee in good faith as of the date of the Change in Control. Payment shall be made in cash as soon as practicable after the Change in Control, but in no event later than March 15 of the year after the year in which the Change in Control occurs.

8. Tax Withholding. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee.

9. Tax Consideration. The Company has advised Grantee to seek Grantee's own tax and financial advice with regard to the federal and state tax considerations resulting from Grantee's receipt of the Cash Award pursuant to this Award Agreement. Grantee understands that the Company will report to appropriate taxing authorities the payment to Grantee of compensation income upon the vesting and payment of the Cash Award. Grantee understands that he or she is solely responsible for the payment of all federal and state taxes resulting from this grant of Cash Award. With respect to tax withholding amounts, the Company has all of the rights specified in Section 8 of this Award Agreement and has no obligations to Grantee except as expressly stated in Section 8 of this Award Agreement.

10. Non-Solicitation. Grantee, for the twelve (12)-month period immediately following the date of termination of Grantee's employment, shall not, either on his or her own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner, or shareholder, or otherwise on behalf of any other person, firm, or corporation, directly or indirectly solicit or attempt to solicit away from the Employer any of its employees or offer employment to any person who, on or during the six (6) months immediately preceding the date of such solicitation or offer, is or was an employee of the Employer. Grantee agrees that the covenant set forth in this Section 10 is reasonable with respect to its duration, geographical area and scope. In the event that the geographic or temporal scope of the covenant contained herein or the nature of the business or activities restricted hereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provisions shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

11. Injunctive Relief. The parties hereto agree that either party hereto would suffer irreparable harm from a breach by the other party of any of the covenants or agreements contained in Section 10, for which there is no adequate remedy at law. Therefore, in the event of the actual or threatened breach by a party of any of the provisions of this Award Agreement, the other party, and in the case of the Company, its respective successors or assigns, may, in addition and supplementary to other rights and remedies existing in their favor, apply to any court of law or equity of competent jurisdiction for specific performance, injunctive or other relief (without the necessity of posting bond or security) in order to enforce compliance with, or prevent any violation of, the provisions hereof; and that, in the event of such breach or threat thereof by one party, the other party shall be entitled to obtain a temporary restraining order and/or a preliminary injunction restraining the other party from engaging in activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein.

12. Notices. Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to Grantee at the address last reflected on the Company's payroll records (including via e-mail if Grantee is then employed by the Company), or at such other address as either party may hereafter designate in writing to the other. Any such notice (if not sent via e-mail) shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if Grantee is no longer employed by the Company or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions in this Section 12.

13. Conflicts and Interpretation. In the event of a conflict or inconsistency between the terms and conditions of this Award Agreement and of the Plan, the terms and conditions of the Plan shall govern. Grantee agrees to be bound by the terms of the Plan and this Award Agreement. Grantee acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

14. Entire Agreement; Amendment. Except as may otherwise be provided in any employment, severance or other agreement between the Company and Grantee, or any Company plan in which Grantee participates, this Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Company may modify, amend or waive the terms of the Cash Award, prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of Grantee without his or her consent, except as required by applicable law, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by such party of a provision of this Award Agreement.

15. Choice of Law. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

16. Binding Effect. This Award Agreement shall bind Grantee and the Company and their beneficiaries, survivors, executors, administrators and transferees.

17. Limitations; No Employment/Service Commitment. Nothing contained in this Award Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects Grantee's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon Grantee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease Grantee's other compensation. Payment of Grantee's Cash Award, if any, is not secured by a trust, insurance contract or other funding medium, and Grantee does not have any interest in any fund or specific assets of the Company or any of its Affiliates by reason of this Cash Award.

18. Code Section 409A. The Cash Award granted under this Award Agreement is intended to fit within the "short-term deferral" exemption from section 409A of the Internal Revenue Code. In administering this Award Agreement, the Company shall interpret this Award Agreement in a manner consistent with such exemption.

19. Forfeiture. Grantee must reimburse or forfeit to the Company any payment received or to be received hereunder by Grantee to the extent required by the clawback policy adopted by the Board of Directors.

20. Non-Transferability. Neither this Award nor any rights under this Award Agreement may be assigned, transferred, or in any manner encumbered except as permitted under the Plan.

21. Definitions. To the extent not specifically defined in this Award Agreement, each capitalized term used in this Award Agreement has the meaning ascribed to such term in the Plan.

22. Committee Administration. The Committee has sole and exclusive responsibility for construing and interpreting this Award Agreement and for resolving all questions arising under this Award Agreement. Any decision or action taken by the Committee arising out of, or in connection with, the construction, administration, interpretation and effect of this Award Agreement will be conclusive and binding upon all persons.

23. Severability. The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of this Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

IN WITNESS WHEREOF, the Company has executed this Award Agreement as of the Date of Grant.

Red Robin Gourmet Burgers, Inc.

By:

Its:

Exhibit 10.42

RED ROBIN GOURMET BURGERS, INC.
2017 PERFORMANCE INCENTIVE PLAN
RESTRICTED STOCK UNIT GRANT AGREEMENT

THIS RESTRICTED STOCK UNIT GRANT AGREEMENT (this "**Agreement**") between RED ROBIN GOURMET BURGERS, INC. (the "Company") and [**EMPLOYEE]** ("Grantee") is dated effective ______________ (the "Date of Grant").

Grantee has been granted an award of ________ restricted stock units. These units are restricted until the vest date(s) shown below, at which time you will receive shares of Red Robin Gourmet Burgers, Inc. common stock.

Vesting Schedule: This award will vest in accordance with the following:

Shares	Vest Date

RECITALS

A. The Board has adopted, and the stockholders have approved, the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan, as may be amended from time to time (the "Plan");

B. The Plan provides for the granting of restricted stock unit awards to eligible participants as determined by the Committee; and

C. The Committee has determined that Grantee is eligible to receive a restricted stock unit award under the Plan and has determined that it would be in the best interest of the Company to grant the restricted stock unit award provided for herein.

AGREEMENT

1. Grant of Restricted Stock Unit.

(a) Award. Pursuant to the Plan, Grantee is hereby awarded the number of Restricted Stock Units set forth above, each of which represents the right to receive one share of the Company's common stock, $.001 par value per share (the "Common Stock"), subject to the conditions of the Plan and this Agreement (the "Restricted Stock Units"). Unless and until the Restricted Stock Units vest, Grantee will have no right to receive shares of Common Stock under such Restricted Stock Units.

(b) Plan Incorporated. Grantee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. Vesting Schedule: The Restricted Stock Units awarded by this Agreement will vest in accordance with the vesting schedule set forth above. Each date upon which vesting occurs is referred to herein as a "Vesting Date". The foregoing notwithstanding, vesting pursuant to the foregoing schedule shall occur on a Vesting Date only if Grantee remains employed by or provides services to the Company from the Date of Grant to such Vesting Date. If Grantee ceases to be employed by or ceases to provide services to the Company at any time prior to the final Vesting Date, all unvested Restricted Stock Units shall be canceled immediately on the date that Grantee's

employment or service is terminated and Grantee shall cease to have any right or entitlement to receive any shares of Common Stock under such canceled Restricted Stock Units.

3. Accelerated Vesting of Restricted Stock Units.

(a) As provided in Section 5.3 of the Plan, if a Change in Control occurs, any unvested Restricted Stock Units held by Grantee will become fully vested. However, if Grantee is designated on the Company's payroll records as a Tier 1 or Tier 2 executive or above, or an executive officer, on the date of the Change in Control no Restricted Stock Units will vest solely on account of a Change in Control unless Grantee's employment with the Company is terminated without Cause (as defined below) within the two-year period following such Change in Control.

(b) For purposes of this Agreement, "Cause" means that Grantee:

(i) has been negligent in the discharge of his or her duties to the Company or any of its Subsidiaries, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(ii) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; or has been convicted of a felony or misdemeanor (other than minor traffic violations or similar offenses);

(iii) has materially breached any of the provisions of any agreement with the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; or

(iv) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; has improperly induced a vendor or customer to enter into, break or terminate any contract with the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; or has induced a principal for whom the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries acts as agent to terminate such agency relationship.

4. Limits on Transferability. Restricted Stock Units shall not be transferable except by will or the laws of descent and distribution or pursuant to a beneficiary designation, or as otherwise permitted by the Plan. No right or benefit hereunder shall in any manner be liable for or subject to any debts, contracts, liabilities, or torts of Grantee. Grantee agrees that the Restricted Stock Units will not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. Any purported assignment, alienation, pledge, attachment, sale, transfer or other encumbrance of shares of unvested Restricted Stock Units that does not satisfy the requirements of this Agreement and the Plan shall, prior to the lapse of the restrictions on such shares pursuant to Section 2, be void and unenforceable against the Company.

5. Issuance and Certificates. Unless the Restricted Stock Units are forfeited prior to the Vesting Date as provided in Section 2 above, the shares of Common Stock issuable upon vesting of the Restricted Stock Units shall be deemed issued as of the Vesting Date. As soon as administratively practicable following a Vesting Date, the Company shall cause a stock certificate or certificates (which may be in electronic form) to be delivered to or on behalf of Grantee for such number of shares equal to the number of Restricted Stock Units vested on such Vesting Date, subject to the Company's collection of applicable withholding taxes in accordance with Section 7 below. Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Common Stock may be postponed for such period as may be required to comply with any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Common Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority.

6. Stockholder Rights. Grantee shall not have any stockholder rights, including voting or dividend rights, with respect to the shares of Common Stock subject to the Restricted Stock Units until such shares are issued on the applicable Vesting Date.

7. Withholding. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee. In accordance with the terms of the Plan, and such rules as may be adopted by the Committee under the Plan, to satisfy Grantee's federal and state tax withholding obligations arising from the vesting of the Restricted Stock Units, the Company shall be permitted in its discretion to withhold shares of Common Stock otherwise to be delivered to Grantee having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional shares of Common Stock. Any additional withholding amounts owed by Grantee due to the inability to deliver fractional shares will be deducted from Grantee's next paycheck.

8. Tax Consideration. The Company has advised Grantee to seek Grantee's own tax and financial advice with regard to the federal and state tax considerations resulting from Grantee's receipt of Restricted Stock Units pursuant to this Agreement. Grantee understands that the Company will report to appropriate taxing authorities the payment to Grantee of compensation income upon the vesting of the Restricted Stock Units. Grantee understands that he or she is solely responsible for the payment of all federal and state taxes resulting from this grant of Restricted Stock Units. With respect to tax withholding amounts, the Company has all of the rights specified in Section 7 of this Agreement and has no obligations to Grantee except as expressly stated in Section 7 of this Agreement.

9. Non-Solicitation. Grantee, for the twelve (12) month period immediately following the date of termination of Grantee's employment or services, shall not, either on his or her own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner, or shareholder, or otherwise on behalf of any other person, firm, or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its employees or offer employment to any person who, on or during the six (6) months immediately preceding the date of such solicitation or offer, is or was an employee of the Company. Grantee agrees that the covenant set forth in this Section 9 is reasonable with respect to its duration, geographical area and scope. In the event that the geographic or temporal scope of the covenant contained herein or the nature of the business or activities restricted hereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provisions shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

10. Injunctive Relief. The parties hereto agree that either party hereto would suffer irreparable harm from a breach by the other party of any of the covenants or agreements contained in Section 9, for which there is no adequate remedy at law. Therefore, in the event of the actual or threatened breach by a party of any of the provisions of this Agreement, the other party, and in the case of the Company, its respective successors or assigns, may, in addition and supplementary to other rights and remedies existing in their favor, apply to any court of law or equity of competent jurisdiction for specific performance, injunctive or other relief (without the necessity of posting bond or security) in order to enforce compliance with, or prevent any violation of, the provisions hereof; and that, in the event of such breach or threat thereof by one party, the other party shall be entitled to obtain a temporary restraining order and/or a preliminary injunction restraining the other party from engaging in activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein.

11. Notices. Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to Grantee at the address last reflected on the Company's payroll records (including via e-mail if Grantee is then employed by the Company), or at such other address as either party may hereafter designate in writing to the other. Any such notice (if not sent via e-mail) shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if Grantee is no longer employed by the Company or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions in this Section 11.

12. Conflicts and Interpretation. In the event of a conflict or inconsistency between the terms and conditions of this Agreement and of the Plan, the terms and conditions of the Plan shall govern. Grantee agrees to be bound by the terms of the Plan and this Agreement. Grantee acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Agreement. Unless otherwise expressly provided in other sections of this Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in Grantee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

13. Entire Agreement; Amendment. Except as may otherwise be provided in any employment, severance or other agreement between the Company and Grantee, or any Company plan in which Grantee participates, this Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Company may modify, amend or waive the terms of the Restricted Stock Unit award, prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of Grantee without his or her consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

15. Binding Effect. This Agreement shall bind Grantee and the Company and their beneficiaries, survivors, executors, administrators and transferees.

16. No Employment/Service Commitment. Nothing contained in this Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects Grantee’s status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon Grantee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease Grantee’s other compensation. Payment of any Restricted Stock Unit Award amount is not secured by a trust, insurance contract or other funding medium, and Grantee does not have any interest in any fund or specific assets of the Company or any of its Affiliates by reason of this Restricted Stock Unit Award.

17. Compliance with Code Section 409A. The Restricted Stock Units granted under this Agreement are intended to fit within the “short-term deferral” exemption from section 409A of the Internal Revenue Code. In administering this Agreement, the Company shall interpret this Agreement in a manner consistent with such exemption.

18. Forfeiture. Grantee must reimburse or forfeit to the Company any payment received or to be received hereunder by Grantee to the extent required by the clawback policy adopted by the Board of Directors.

19. Definitions. To the extent not specifically defined in this Award Agreement, each capitalized term used in this Award Agreement has the meaning ascribed to such term in the Plan.

20. Committee Administration. The Committee has sole and exclusive responsibility for construing and interpreting this Award Agreement and for resolving all questions arising under this Award Agreement. Any decision or action taken by the Committee arising out of, or in connection with, the construction, administration, interpretation and effect of this Award Agreement will be conclusive and binding upon all persons.

21. Severability. The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of this Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

RED ROBIN GOURMET BURGERS, INC., a Delaware corporation

By:

Title:

Exhibit 10.43

RED ROBIN GOURMET BURGERS, INC.

2017 PERFORMANCE INCENTIVE PLAN

NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this "**Option Agreement**") by and between **RED ROBIN GOURMET BURGERS, INC.**, a Delaware corporation (the "**Company**"), and [**EMPLOYEE**] ("**Optionee**") evidences the nonqualified stock option (the "**Option**") granted by the Company to Optionee as to the number of shares of the Company's Common Stock the Award (Grant) Date, the Grant (Exercise) Price per share, the Expiration (Expiry) Date and the Vesting Schedule (collectively, the "**Grant Terms**"), all of which are set forth and described in this Option Agreement.

Date of Grant:
Exercise Price Per Share:
Total Number of Shares Granted:
Expiration Date of Option:

Vesting Schedule: This award may be exercised in whole or in part, in accordance with the following:

Shares	Vest Type	Vest Date

The Option is granted under the Red Robin Gourmet Burgers, Inc. 2017 Performance Incentive Plan, as may be amended time to time (the " **Plan**") and is subject to the Terms and Conditions of Nonqualified Stock Option (the "**Terms**") contained in this Option Agreement and the Plan. The Option has been granted to Optionee in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to Optionee. Capitalized terms are defined in the Plan if not defined herein. Optionee acknowledges receipt of a copy of this Option Agreement, the Plan, and the Prospectus for the Plan.

TERMS AND CONDITIONS OF NONQUALIFIED STOCK OPTION

1. **Vesting; Limits on Exercise; Incentive Stock Option Status**.

The Option may be exercised only to the extent the Option is vested and exercisable. The Option shall vest and become exercisable as set forth on the Vesting Schedule above.

- Cumulative Exercisability. To the extent that the Option is vested and exercisable, Optionee has the right to exercise the Option (to the extent not previously exercised), and such right shall continue, until the expiration or earlier termination of the Option.
- No Fractional Shares. Fractional share interests shall be disregarded, but may be cumulated.
- Nonqualified Stock Option. The Option is a nonqualified stock option and is not, and shall not be, an incentive stock option within the meaning of Section 422 of the Code.

2. **<u>Continuance of Employment/Service Required; No Employment/Service Commitment</u>**.

The Vesting Schedule set forth in this Option Agreement requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Option Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 4 below or under the Plan.

Nothing contained in this Option Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Subsidiaries, affects Optionee’s status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon Optionee any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or service, or affects the right of the Company or any Subsidiary to increase or decrease Optionee’s other compensation. Optionee has no rights as a stockholder of the Company pursuant to this Option Agreement until and unless shares of Common Stock are actually delivered to Optionee.

3. **<u>Method of Exercise of Option</u>**.

The Option shall be exercisable by the delivery to the Secretary of the Company (or such other person as the Committee may require pursuant to such administrative exercise procedures as the Committee may implement from time to time) of:

- a written notice stating the number of shares of Common Stock to be purchased pursuant to the Option or by the completion of such other administrative exercise procedures as the Committee may require from time to time,
- payment in full for the Exercise Price of the shares to be purchased:
  - in cash or cash equivalents;
  - in a cashless exercise through a third party, except if and to the extent prohibited by law as to officers and directors, including without limitation, the Sarbanes-Oxley Act of 2002, as amended; or
  - by having a number of shares of Common Stock withheld, the Fair Market Value of which as of the date of exercise is sufficient to satisfy the Exercise Price;
- any written statements or agreements required by the Company; and
- satisfaction of the tax withholding provisions of Section 6.1 of the Plan.

4. **<u>Early Termination/Acceleration of Option</u>**.

1. **Possible Acceleration of Option upon Change in Control**. As provided in Section 5.3 of the Plan, if a Change in Control occurs, any outstanding Option will become fully vested. However, if Optionee is designated on the Company’s payroll records as a Tier 1 or Tier 2 executive or above (or comparable designation), or is an executive officer, on the date of the Change in Control, no Option will vest solely on account of such Change in Control unless Optionee’s employment with the Company is terminated without Cause (as defined below) within the two-year period following such Change in Control.

2. **Termination of Option upon a Termination of Optionee’s Employment or Services**. Subject to earlier termination on the Expiration Date of the Option, if Optionee ceases to be employed by or ceases to provide services to the Company or a Subsidiary, the following rules shall apply (the last day that Optionee is employed by or provides services to the Company or a Subsidiary is referred to as Optionee’s “**Severance Date**”):

- other than as expressly provided below in this Section 4.2, (a) Optionee will have until the date that is 3 months after his or her Severance Date to exercise the Option (or portion thereof) to the extent that it was vested on the Severance Date, (b) the Option, to the extent not vested on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the 3 month period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 3 month period;

- if the termination of Optionee's employment or services is the result of Optionee's death or Disability, then Optionee (or his beneficiary or personal representative, as the case may be) will have until the date that is 12 months after Optionee's Severance Date to exercise the Option, (b) the Option, to the extent not vested on the Severance Date, shall terminate on the Severance Date, and (c) the Option, to the extent exercisable for the 12-month period following the Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period;
- if Optionee's employment or services are terminated by the Company or a Subsidiary for Cause (as defined below), the Option (whether vested or not) shall terminate on the Severance Date.

For purposes of the Option, "**Cause**" means that Optionee:

(1) has been negligent in the discharge of his or her duties to the Company or any of its Subsidiaries, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(2) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; or has been convicted of a felony or misdemeanor (other than minor traffic violations or similar offenses);

(3) has materially breached any of the provisions of any agreement with the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; or

(4) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; has improperly induced a vendor or customer to enter into, break or terminate any contract with the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries; or has induced a principal for whom the Company, any of its Subsidiaries or any affiliate of the Company or any of its Subsidiaries acts as agent to terminate such agency relationship.

In all events the Option is subject to earlier termination on the Expiration Date of the Option. The Committee shall be the sole judge of whether Optionee continues to render employment or services for purposes of this Option Agreement.

5. **Non-Transferability**.

The Option and any other rights of Optionee under this Option Agreement or the Plan are nontransferable and exercisable only by Optionee, except as set forth in Section 4.2 of the Plan.

6. **Withholding**.

In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Optionee, are withheld or collected from Optionee. [In accordance with the terms of the Plan, and such rules as may be adopted by the Committee under the Plan, to satisfy Optionee's federal and state tax withholding obligations arising from the exercise of the Option, the Company shall be permitted in its discretion to withhold shares of Common Stock otherwise to be delivered to Optionee having a Fair Market Value equal to the amount of such taxes. The Company will not deliver any fractional shares of Common Stock. Any additional withholding amounts owed by Optionee due to the inability to deliver fractional shares will be deducted from Optionee's next paycheck.

7. **Tax Consideration**.

The Company has advised Optionee to seek Optionee's own tax and financial advice with regard to the federal and state tax considerations resulting from Optionee's receipt of Options pursuant to this Option Agreement. Optionee understands that the Company will report to appropriate taxing authorities the payment to Optionee of compensation income upon the exercise of the Option. Optionee understands that he or she is solely responsible for the payment of all federal and state taxes resulting from this grant and exercise of the Option. With respect to tax withholding amounts, the Company has all of the rights specified in Section 7 of this Option Agreement and has no obligations to Option except as expressly stated in Section 7 of this Option Agreement.

8. **Non-Solicitation**.

Optionee, for the twelve (12) month period immediately following the date of termination of Optionee's employment, shall not, either on his or her own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner, or shareholder, or otherwise on behalf of any other person, firm, or Company, directly or indirectly solicit or attempt to solicit away from the Company any of its employees or offer employment to any person who, on or during the six (6) months immediately preceding the date of such solicitation or offer, is or was an employee of the Company. Optionee agrees that the covenant set forth in this Section 8 is reasonable with respect to its duration, geographical area and scope. In the event that the geographic or temporal scope of the covenant contained herein or the nature of the business or activities restricted hereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provisions shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

9. **Injunctive Relief**.

The parties hereto agree that either party hereto would suffer irreparable harm from a breach by the other party of any of the covenants or agreements contained herein, for which there is no adequate remedy at law. Therefore, in the event of the actual or threatened breach by a party of any of the provisions of this Option Agreement, the other party, and in the case of the Company, its respective successors or assigns, may, in addition and supplementary to other rights and remedies existing in their favor, apply to any court of law or equity of competent jurisdiction for specific performance, injunctive or other relief (without the necessity of posting bond or security) in order to enforce compliance with, or prevent any violation of, the provisions hereof; and that, in the event of such breach or threat thereof by one party, the other party shall be entitled to obtain a temporary restraining order and/or a preliminary injunction restraining the other party from engaging in activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein.

10. **Notices**.

Any notice to be given under the terms of this Option Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to Optionee at the address last reflected on the Company's payroll records (including via e-mail if Optionee is then employed by the Company), or at such other address as either party may hereafter designate in writing to the other. Any such notice (if not sent via e-mail) shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if Optionee is no longer employed by the Company or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 10.

11. **Plan**.

The Option and all rights of Optionee under this Option Agreement are subject to, and Optionee agrees to be bound by, all of the terms and conditions of the Plan, incorporated herein by this reference. In the event of a conflict or inconsistency between the terms and conditions of this Option Agreement and of the Plan, the terms and conditions of the Plan shall govern. Optionee agrees to be bound by the terms of the Plan and this Option Agreement (including these Terms). Optionee acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Option Agreement. Unless otherwise expressly provided in other sections of this

Option Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not and shall not be deemed to create any rights in Optionee unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

12. **Entire Agreement; Amendment**.

Except as may otherwise be provided in any employment, severance or other agreement between the Company and Optionee, or any Company plan in which Optionee participates, the Terms and this Option Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Company may modify, amend or waive the terms of the Option, prospectively or retroactively, but no such modification, amendment or waiver shall impair the rights of Optionee without his or her consent, except as required by applicable law, NASDAQ or stock exchange rules, tax rules or accounting rules. The waiver by either party of compliance with any provision of this Option Agreement shall not operate or be construed as a waiver of any other provision of this Option Agreement, or of any subsequent breach by such party of a provision of this Option Agreement.

13. **Governing Law**.

This Option Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

14. **Effect of this Agreement**.

This Option Agreement shall bind Optionee and the Company and their beneficiaries, survivors, executors, administrators and transferees.

15. **Section Headings**.

The section headings of this Option Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

16. Forfeiture.

Optionee must reimburse or forfeit to the Company any payment received or to be received hereunder by Optionee to the extent required by the clawback policy adopted by the Board of Directors.

17. Committee Administration.

The Committee has sole and exclusive responsibility for construing and interpreting this Award Agreement and for resolving all questions arising under this Award Agreement. Any decision or action taken by the Committee arising out of, or in connection with, the construction, administration, interpretation and effect of this Award Agreement will be conclusive and binding upon all persons.

18. Severability.

The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of this Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

RED ROBIN GOURMET BURGERS, INC., a Delaware corporation

By:

Title:

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Red Robin Gourmet Burgers, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-100458, 333-218091, and 333-232085) on Form S-8 of Red Robin Gourmet Burgers, Inc. of our report dated February 25, 2020, with respect to the consolidated balance sheets of Red Robin Gourmet Burgers, Inc. and subsidiaries as of December 29, 2019 and December 30, 2018, the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 29, 2019, which reports appear in the December 29, 2019 annual report on Form 10-K of Red Robin Gourmet Burgers, Inc.

Our report on the consolidated financial statements includes an explanatory paragraph referring to a change to the method of accounting for leases.

/s/ KPMG LLP

Denver, Colorado
February 25, 2020

Exhibit 31.1

CEO CERTIFICATION

I, Paul Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Robin Gourmet Burgers, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

February 25, 2020	/s/ Paul Murphy
(Date)	Paul Murphy *Chief Executive Officer*

Exhibit 31.2

CFO CERTIFICATION

I, Lynn S. Schweinfurth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Red Robin Gourmet Burgers, Inc.;

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

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

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

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

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

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

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

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

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

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

February 25, 2020	/s/ Lynn S. Schweinfurth
(Date)	Lynn S. Schweinfurth *Chief Financial Officer*

Exhibit 32.1

Written Statement
Pursuant To
18 U.S.C. Section 1350

In connection with the Quarterly Report of Red Robin Gourmet Burgers, Inc. (the "Company") on Form 10-Q for the period ended December 29, 2019, as filed with the Securities and Exchange Commission on February 25, 2020 (the "Report"), the undersigned, Paul Murphy, Chief Executive Officer, and Lynn S. Schweinfurth, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

(a) the Quarterly Report on Form 10-Q for the period ended December 29, 2019 of the Company (the "Periodic Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Dated:	February 25, 2020	/s/ Paul Murphy
		Paul Murphy *Chief Executive Officer*
Dated:	February 25, 2020	/s/ Lynn S. Schweinfurth
		Lynn S. Schweinfurth *Chief Financial Officer*

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

The foregoing certification is being furnished to the Securities and Exchange Commission pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.