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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 25, 2016

☐ **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	**80111**
(Address of principal executive offices)	(Zip Code)

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

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

Common Stock, $0.001 par value
Name of each exchange on which registered: 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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 $641.6 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 12,857,564 shares of common stock outstanding as of February 20, 2017.

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 2016 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 develops, operates, and franchises full-service restaurants in North America and focuses on serving an imaginative selection of high quality gourmet burgers 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. For the 52-week fiscal year 2016, we generated total revenues of $1.3 billion. As of the end of our fiscal year on December 25, 2016, there were 551 Red Robin restaurants, of which 465 were Company-owned and 86 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 25, 2016, there were Red Robin restaurants in 44 states and two Canadian provinces.

Financial information for our single operating segment is included in 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. Fiscal years 2016, 2015, 2014, and 2013 each included 52 weeks, ending on December 25, 2016, December 27, 2015, December 28, 2014, and December 29, 2013. Fiscal years 2017 and 2012 include 53 weeks, ending on December 31, 2017 and December 30, 2012. We refer to our fiscal years as 2017, 2016, 2015, 2014, 2013, and 2012 throughout this Annual Report on Form 10-K.

Business Strategy

Red Robin's goal is to differentiate itself from typical casual dining establishments based on quality, service, and value. To differentiate on quality, we offer a large and varied selection of highly craveable and customizable burgers. To differentiate on service, our goal is to be highly attentive to guests of all ages, serving food and beverages quickly so they can spend more time enjoying their food and less time waiting. We also strive to deliver tremendous value by providing delicious food at a range of price points, accompanied with our bottomless steak fries and other sides with every meal. Red Robin guests give us credit for these key points of differentiation and we seek to build on them every day by living our B.U.R.G.E.R. values: Bottomless Fun, Unwavering Integrity, Relentless Focus on Improvement, Genuine Spirit of Service, Extraordinary People, and Recognized Burger Authority.

To ensure the continued success of Red Robin in a rapidly evolving marketplace, we focus on four strategic areas:

- *Building team member engagement.* We emphasize and support team member engagement, retention, and culture that will foster the development of great leaders. Our goal is to enhance clarity with our team members by consistently communicating our strategy and ensuring we remain narrowly focused on our strategic initiatives. We continually strive to develop extraordinary people and encourage team member performance through appreciation, recognition, and respect. In an effort to continue to develop leadership strength, we are focused on expanding our school of leadership, executing dynamic succession planning, and innovative recruiting and talent development. See "Learning and Development" below for additional information about our team member development initiatives.

- *Regaining operational edge.* Our strategy in regaining operational edge includes delivering consistently great burgers, accurately customized, and served quickly by our caring team members. Our goal is to deliver exceptional service to our guests through promoting a "Better for Being Here" environment and continually strive to enhance our guest's dining experience with a focus on guests of all ages and their occasions. We respect our guests' need for the "gift of time" and remain committed to improving both speed of service and order accuracy.

- *Becoming our guests' go-to for great burgers.* We continue to focus on being our guests' go-to for great burgers by offering craveable burgers and "bottomless" side options at attractive prices wherever and however our guests want. We plan to enhance value through a balance of quality, quantity, price, and experience. This includes providing high quality core menu items, delivering value through new products and abundance, and enhancing loyalty offerings to drive guest traffic. Additionally, we are focused on driving guest preference by offering our products through alternate platforms. As part of this strategy, we are currently testing and deploying online ordering, to-go, and catering services and developing partnerships with and deploying third-party delivery services.

- *Delivering great shareholder value.* We are committed to delivering shareholder value by improving profitability and investing capital wisely. Our goal is to optimize our capital structure, pace development activities, and improve our EBITDA margin through revenue growth and targeted cost savings.

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 customize their experiences.

We pride ourselves on being THE Burger Authority. Our menu features our signature product, a line of Gourmet Burgers which we make from premium quality, fresh ground beef as well as our everyday-value line of Red's Tavern Double® burgers, and our Red Robin's Finest line of half-pound Angus beef burgers and all-natural, 7-ounce, fire-grilled chicken breasts with premium toppings. We also offer burgers made from chicken breasts, fish fillets, and turkey patties, as well as vegetarian and vegan options. We offer a wide selection of buns, including ciabatta, gluten free, sesame, onion, whole grain, jalapeno, and lettuce wraps, with a variety of toppings, including fresh guacamole, housemade barbeque sauces, aiolis, grilled pineapple, crispy onion straws, sautéed mushrooms, fried jalapenos, bruschetta salsa, coleslaw, eight different cheese choices, and a fried egg. All of our burgers are served with our all-you-can-eat Bottomless Steak Fries® or a guest may choose from five bottomless sides. We specialize in customizing our menu items to meet our guests' dietary needs and preferences. In addition to burgers, which accounted for approximately 50.0% of our total food and beverage sales in 2016, Red Robin serves an array of other items that appeal to a broad range of guests. These items include a variety of appetizers (priced at $3, $5, $7, and $9); salads, soups, seafood, and other entrees; desserts; the Company's signature alcoholic and non-alcoholic specialty beverages; and a broadened variety of national and craft beers.

We strive to meet the needs of our guests by offering a choice of experiences and occasions from time-pressured meals to a place to relax and unwind 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 2016, we had an average check per guest of $13.05 including beverages. We believe this price-to-value relationship, our innovative array of burgers ranging in price from $6.99 to $14.69, differentiates us from our casual dining competitors and allows us to appeal to a broad base of consumers with a wide range of income levels.

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 58 hourly team members, most of whom work part-time.

For our new restaurants, we try to identify seasoned leadership teams 6 to 12 months in advance of opening, with the expectation that seasoned leadership will provide a better team member and guest experience while enabling a new restaurant to quickly reach normalized operations.

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 who 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.

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 stepping stone 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 home office team. We ensure the home office 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-to-one coaching.

The success of each restaurant, region, and department within the organization relies heavily on the leadership at each of those levels. Leaders across the organization regularly receive a powerful assessment tool that provides them in-depth insight into the effectiveness of their leadership and the impact it is having on their teams. Additionally, leaders have the opportunity to be selected for our School of Leadership program which guides a cohort of 16 leaders through three retreats over the course of four months. This powerful program enables leaders to identify their purpose, their teams' purpose, and the purpose they serve within the organization.

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, exist for the safety and quality of all 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 the products received meet our safety and quality specifications. Additionally, we utilize the services of an independent auditing company to perform unannounced comprehensive food safety and sanitation inspections 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 which may include fixed price contracts that vary in term lengths or formula based pricing agreements which can fluctuate on changes in raw material commodity pricing. Ground beef represented approximately 12% of our total cost of goods in 2016 and chicken represented approximately 10% of our total cost of goods. We monitor 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 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, we have not experienced significant disruptions in our supply chain. As of December 25, 2016, 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 2017.

Restaurant Development

Red Robin seeks to grow 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. During 2016, we opened 26 Company-owned restaurants, acquired 13 Red Robin franchised restaurants, and relocated two Red Robin restaurants. Over the past three years, we have opened a total of 72 new restaurants, acquired 50 franchised restaurants, and relocated six units.

During 2017, we expect to open approximately 17 new Company-owned Red Robin restaurants, which together with our 2016 new restaurant openings and a 53rd week will increase the Company's total operating weeks by approximately 5%. The costs of a 4,500 to 5,800 square foot Red Robin restaurant range from $2.0 million to $2.4 million, depending on location (stand alone, mall, or in-line retail) and geographic area, excluding land.

Restaurant Franchise and Licensing Arrangements

As of December 25, 2016, our franchisees operated 86 restaurants in 15 states. In 2016, our franchisees sold 13 restaurants to us. Our two largest franchisees own 43 restaurants located in Michigan, Ohio, and eastern and central Pennsylvania. We have not actively sought new franchisees in recent years. We expect franchise unit growth to resume after our franchisees complete required investments to bring existing restaurants to our current brand and design standards. We anticipate these franchisee remodels will be completed through 2018.

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.

To continuously improve our marketing programs and operating systems, we maintain a franchise advisory board consisting of franchisee members that meet with the corporate executive team. Through this council, we solicit the input of our franchisees on marketing programs, including their suggestions as to which new menu items we should test and feature in future promotions. 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 corporate offices 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/personnel systems for Company-owned restaurants. In addition, we use an operations scorecard which integrates data from our centralized systems with the distributed information managed in our restaurants. We believe these combined tools are important in analyzing and improving our operations, profit margins, and other results.

In order to increase efficiency, operational capabilities, and to support growth, we have committed to a significant capital investment to upgrade and expand some of these systems. In 2016, we continued to invest in technologies and data infrastructure that support operational excellence, guest engagement, and team member talent management as well as improving other systems and processes. During the third quarter 2016, we completed the rollout of kitchen and seating management systems to all Company-owned restaurants giving our restaurant teams better tools to support high quality guest experiences. In the fourth quarter 2016, we completed the migration of our Oracle Fusion financial platform to Oracle's public cloud environment, standardizing and simplifying our financial systems infrastructure while leveraging a sustainable strategy for upgrades. In 2017, we plan to invest in technologies and data infrastructure which enable simplification and standardization for our restaurant teams; provide our guests with digital experiences that support in-restaurant or off-premise dining; and create efficiencies of business operation.

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 that 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 stores, we are required to maintain the highest level of Payment Card Industry ("PCI") Data Security Standard compliance at our corporate offices 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. Our credit card security practices and systems are certified as compliant with the PCI Data Security Standard annually by an independent, qualified security assessor.

We also engage other 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 primarily through national marketing, including national television, digital media, social media programs, 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 closely track the frequency and purchase behavior of guests who are members of our Red Robin Royalty™ loyalty program.

In 2016, our marketing strategy began to shift toward a concentrated, rather than continuous, media buying approach with a focus on generating significant reach and frequency during on-air advertising periods. We plan to continue with this concentrated marketing approach in 2017, while communicating a clear message of value, innovation, and fun across a variety of advertising media. We will also deploy increased marketing support for our alternative platforms initiative, including generating guest awareness of our online ordering, to-go, and catering dining opportunities.

Team Members

As of December 25, 2016, we had 29,293 employees, whom we refer to as team members, consisting of 28,931 team members at Company-owned restaurants and 362 team members at our corporate headquarters and field offices. 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 prepare 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
Denny Marie Post	59	Chief Executive Officer[1]
Guy J. Constant	52	Executive Vice President and Chief Financial Officer
Carin L. Stutz	60	Executive Vice President and Chief Operating Officer
Cathy Cooney	65	Senior Vice President and Chief People Officer
Michael Furlow	59	Senior Vice President and Chief Information Officer
Les L. Lehner	45	Senior Vice President of Real Estate and Development
Michael L. Kaplan	48	Senior Vice President, Secretary and Chief Legal Officer
Jonathan Muhtar	45	Senior Vice President and Chief Marketing Officer

(1) Also a member of the Company's board of directors.

Denny Marie Post. Ms. Post was appointed Chief Executive Officer in August 2016. Ms. Post previously served the Company in various roles as its President, Executive Vice President and Chief Concept Officer, and Senior Vice President and Chief Marketing Officer. Before joining Red Robin, she was the Managing Member of mm&i Consulting LLC, a marketing consulting firm, from June 2010 to July 2011. Ms. Post served as Senior Vice President, Chief Marketing Officer of T-Mobile

USA from July 2008 to May 2010, as Senior Vice President, Global Beverage, Food, and Quality at Starbucks Corporation from February 2007 to June 2008, as Senior Vice President, Chief Concept Officer of Burger King Corp. from April 2004 to January 2007, and prior to that, in various marketing executive roles at YUM! Brands, Inc.

Guy J. Constant. Mr. Constant joined Red Robin as Executive Vice President and Chief Financial Officer in December 2016. Mr. Constant previously served as Chief Financial Officer, Executive Vice President of Finance and Treasurer of Rent-A-Center, Inc. from June 2014 to December 2016. Prior to that, Mr. Constant was the Chief Financial Officer and Executive Vice President of Brinker International Inc. from September 2010 to March 2014. At Brinker, he also served as Senior Vice President of Finance from May 2008 to September 2010, Vice President of Strategic Planning and Analysis and Investor Relations from September 2005 to May 2008, and Senior Director of Compensation from November 2004 to September 2005. Prior to Brinker, he spent nine years at AMR Corporation, the parent company of American Airlines, in various finance positions of increasing scope and responsibility.

Carin L. Stutz. Ms. Stutz joined the Company as Executive Vice President and Chief Operating Officer in April 2016. Prior to joining the Company, Ms. Stutz served as President of McAlister's Corporation of Focus Brands Inc. from November 2014 to April 2016. Ms. Stutz was the Chief Executive Officer and President of Cosi Inc. from January 2012 to June 2013. She was President of Global Business Development of Brinker International Inc. from December 2010 to December 2011. She also served as Senior Vice President of Strategic Operations and Senior Vice President and Chief Operating Officer of Global Business Development at Brinker beginning in January 2009. Prior to joining Brinker, she served as Senior Vice President of Company Operations of Applebee's International Inc. from 1999 to 2005 and as Executive Vice President of Operations of Applebee's from 2005 to 2007.

Cathy Cooney. Ms. Cooney joined the Company as Senior Vice President and Chief People Officer in July 2013. Ms. Cooney previously served as Executive Vice President, Human Resources of CareFusion Corporation from September 2009 to June 2011 and prior its spinoff she served as Senior Vice President, Human Resources-Clinical and Medical Products of Cardinal Health from July 2008 to September 2009. She was Senior Vice President, Human Resources-Clinical Technologies, and Services from September 2004 to July 2008 and Senior Vice President, Human Resources-Leadership Development of Cardinal Health from January 2003 to September 2004.

Michael Furlow. Mr. Furlow joined Red Robin as Senior Vice President and Chief Information Officer in October 2015. Prior to joining the Company, Mr. Furlow served as Senior Vice President of Information Technology and Chief Information Officer of CEC Entertainment, Inc. from May 2011 to January 2015, as Senior Vice President of Information System of Brinker International, Inc. from September 2005 to January 2011, as Chief Information Officer of Dunkin's Brand Group, Inc. from April 2002 to August 2005, and as Chief Information Officer of Einstein Noah Restaurant Group, Inc. from 1998 to 2002.

Les L. Lehner. Mr. Lehner joined Red Robin as Senior Vice President of Real Estate and Development in May 2015. Prior to joining the Company, Mr. Lehner served as Senior Vice President of Real Estate/Development at CEC Entertainment. Mr. Lehner was at CEC Entertainment from 2001 to 2015. During his tenure he also served as Vice President of Real Estate, Sr. Director of Real Estate and Purchasing, and Director of Finance.

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.

Jonathan Muhtar. Mr. Muhtar joined Red Robin as Senior Vice President and Chief Marketing Officer in December 2015. 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.

Competition

The restaurant industry is highly competitive and our guests may choose to purchase food at supermarkets or other food retailers. For some occasions, we compete against other segments of the restaurant industry, including quick-service and fast-casual restaurants, but our primary competition is with other sit-down, casual dining restaurants. 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 offered, guest service, ambiance, location, and overall dining experience. In particular, we face competition from concepts focused on the sale of hamburgers, including quick service, and fast casual concepts. Many of these concepts are expanding faster than we are and are penetrating both geographic and demographic markets that we target as well. Moreover, many of these concepts compete with smaller-sized building units, which allow them greater flexibility in site selection and market penetration.

We believe that our guest demographics, strong brand recognition, gourmet burger concept, attractive price-value relationship, and the quality of our food and service enable us to differentiate ourselves from our 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 site locations and 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 and annual 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.

In order to better protect our brand, we have also registered the Internet domain name*www.redrobin.com*. We believe that our trademarks, service marks, and other 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 and expense management; enhancing our restaurant environments and guest engagement; expanding our restaurant base; and designing, testing, and implementing restaurant development activities;
- the continuation of our share repurchase program, and other capital deployment opportunities;
- our ability to grow our average check and increase sales of incremental items;
- our focus on attracting new guests while retaining loyal guests and our initiatives targeted at adult guests as our restaurant concept evolves;
- our ability to grow sales through menu and service enhancement;
- any future price increases and their effect on our revenue and profit;
- the timing and cost of our investment and implementation of a major overhaul of our information technology systems and data infrastructure to support guest engagement, team member talent management, and anticipated related benefits;
- anticipated Company-owned restaurant openings, including the anticipated number and type of new restaurants, and the timing of such openings;
- anticipated restaurant operating costs, including commodity and food prices; labor and energy costs; and selling, general, and administrative expenses, 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;
- our brand transformation initiatives, including the anticipated number and timing of restaurant remodels, and expected financial performance of remodeled restaurants;
- developing, testing, and implementing new initiatives, such as online ordering services, third-party delivery services, utilizing an offsite call center to handle to-go orders, developing new to-go packaging, and catering services, and addressing operating issues associated with these initiatives;
- the amount of capital expenditures in 2017;
- 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 in 2017 and beyond;
- 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;
- the ability to fulfill planned expansions, including both new and existing markets;
- our franchise program, franchisee new restaurant openings and remodels, and potential expansion and other changes to our franchise program;
- anticipated interest and tax expense;
- expectations regarding our operations in Canada and the resulting currency fluctuation risk related thereto;
- 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 competition and our competitive advantages against our casual dining peers; and
- expectations regarding consumer preferences and consumer discretionary spending.

Although we believe that 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 our business strategy and improvement initiatives; effectiveness of our marketing campaign; our ability to effectively use and monitor social media; uncertainty regarding general economic conditions; concentration of restaurants in certain markets, and lack of market awareness in new markets; changes in consumer disposable income; consumer spending trends and habits;

ineffectiveness of our information technology efforts; regional mall and lifestyle center traffic trends; increased competition and discounting in the casual dining restaurant market; costs and availability of food and beverage inventory; changes in commodity prices, particularly ground beef; changes in energy and labor costs, including due to changes in health care, and market wage levels; changes in government 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; limitations on the Company's ability to execute stock repurchases due to lack of available shares or acceptable stock price levels or other market or Company-specific conditions; our ability to attract qualified managers, and team members; changes in the availability of capital or credit facility borrowings; 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 or incorporated by reference in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes.

Risks Related to Our Business

Our business improvement initiatives may not continue to be successful or achieve the desired results in a timely fashion.

We continue to evolve our business improvement initiatives that are designed to both improve the Company's results in the short term and create sustainable growth in the long term. These initiatives continue to focus on enhancing our guest experience to increase revenue, improving operating efficiency and expense management, and growing our restaurant base through new Company-owned and franchised restaurants. They include our initiatives to elevate our guest experience through our brand transformation initiative and to upgrade our information technology and other systems, and the use of varying size restaurant prototypes to expand our ability to grow our restaurant base. While many of these initiatives have been implemented in various stages and are generating positive results, there is no assurance these initiatives and the projects undertaken to accomplish such initiatives will continue to be successful, or that the Company has, or will have sufficient resources to fully and successfully implement, sustain results from, or achieve additional expected benefits from them.

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 driving sales and guest counts by providing loyal guests with various incentives and rewards. We intend to continue our focus on serving families while targeting adult occasions, and to grow beverage and food sales, including alcoholic beverages, appetizers and desserts, through menu, and service enhancements. We do not have any assurance our marketing strategies will be successful. If new advertising, modified 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 search engine marketing and social media platforms such as Facebook® 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. Social media can be challenging because it reaches a broad audience with an ability to respond or react, in near real time, with comments that are often not filtered or checked for accuracy. 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.

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, such as adult-only occasions, 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.

We may not be successful in developing and implementing important strategic initiatives, which may have an adverse impact on our business and consolidated financial results.

Our business depends upon our ability to continue to grow and evolve through various important strategic initiatives. There can be no assurance that we will be able to develop or implement these important strategic initiatives or that these strategic initiatives will deliver on their intended results, which could in turn adversely affect our business.

These strategic initiatives include currently testing and deploying online ordering services, developing an offsite call center to handle to-go orders, developing new to-go packaging, and catering services, and developing partnerships with and deploying third-party delivery services. These new programs may not increase our sales to the degree we expect, or at all. Catering, online ordering and other out-of-restaurant sales options also introduce new operating procedures to our restaurants, and we may not successfully execute these procedures, which could adversely impact the customer experience in our restaurants and thereby harm our sales and customer perception of our brand.

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 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. One of our strategies is to provide a balance of both family-friendly and adult-focused guest experiences. There is no assurance that this balance will be successful or that it will not negatively affect our family guest experience.

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, national, and international 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.

Our inability to renew existing leases on favorable terms may adversely affect our results of operations.

As of December 25, 2016, 429 of our 465 Company-owned restaurants are located on leased premises. There can be no assurance we will be able to renew our expiring leases after the expiration of all remaining renewal options. 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 consumer spending and guest visits, which may negatively affect our revenues and our results of operations and may continue to do so in the future.

The global and domestic economic environment affects the restaurant industry, and may negatively affect the results of operations and financial condition of the Company and its 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 financial markets; inflationary pressures; and reduced 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 negative or uncertain economic conditions might cause consumers to make long-lasting changes to their discretionary spending behavior, including dining out less frequently on a more permanent basis, which would have a negative effect on our business. Moreover, 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. 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.

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 2016, approximately 60% of our estimated 2017 annual food and beverage purchases were covered by fixed price contracts, most of which are scheduled to expire at various times during the 2017. 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. 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.

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

Our information technology systems, including technology services and systems for which we contract from third parties, 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, unauthorized data breaches or other attempts to harm our systems. 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 cyber network could result in interruption to our services, adversely affect our reputation, and negatively impact our results of 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. A number of restaurant operators and retailers have experienced security breaches in which credit and debit card information may have been stolen. We employ secure network architecture technologies and practices, and have taken other steps to try to prevent such a breach; however, we may not have the resources or technical sophistication to prevent rapidly evolving types of cyber attacks. If we experienced 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. We do not maintain a separate policy covering cyber security risks and, 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 corporate offices and Company-owned restaurants. As part of an overall security program and to meet PCI standards, we undergo frequent 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.

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 that 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 that 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.

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

Our key team members are central to our success and difficult to replace. We may be unable to retain them or attract other highly qualified team members, particularly if we do not offer competitive employment terms. The loss of the services of any of our management team 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.

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

Our initiatives include a focus on continued growth of our restaurant base through new restaurants. 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:

- improvement in the macroeconomic environment nationally and regionally that affects restaurant-level performance and influences our decisions on the rate of expansion, timing, and the number of restaurants to be opened;
- identification of and ability to secure an adequate supply of available and suitable restaurant sites;
- negotiation of favorable lease and construction terms;
- cost and availability of capital to fund restaurant expansion and operation;
- the availability of construction materials and labor;
- our ability to manage construction and development costs of new restaurants;
- timely adherence to development schedules;
- securing required governmental approvals and permits and in a timely manner;
- availability and retention of qualified operating personnel to staff our new restaurants, especially managers;
- competition in our markets and general economic conditions that may affect consumer spending or choice;
- our ability to attract and retain guests; and
- our ability to operate at acceptable profit margins.

We are subject to the risks presented by acquisitions.

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 of restaurants operated by franchisees or other operators. Any future acquisitions will be accompanied by the risks commonly encountered in acquisitions. These risks include among other things:

- the difficulty of integrating operations and personnel;
- the potential disruption to our ongoing business;
- the potential distraction of management;
- 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. Although the average unit volumes and restaurant level profit margins have performed well on average in recent years, there is no assurance that new restaurants will continue to experience such successes. Our restaurants are currently taking approximately six months or more to reach normalized operating levels due to inefficiencies typically associated with new restaurants. These include operating costs, which are often significantly greater during the first several months of operation and fluctuating guest counts. Further, there is no assurance that 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 and restaurant expansion in our existing markets could erode sales of our existing restaurants.

As of December 25, 2016, a total of 182 or 39.1% of all Company-owned restaurants, representing 45.9% of restaurant revenue, were located in the western United States (i.e., Arizona, California, Colorado, Nevada, Oregon, Idaho, New Mexico, and Washington). As a result of our geographic concentration, negative publicity regarding any of our restaurants in the western United States could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, energy shortages, or increases in energy prices, droughts, earthquakes, fires, or other natural disasters.

Because we typically draw guests from a relatively small radius around each of our restaurants, the sales performance, and guest counts for existing restaurants near the area in which a new restaurant opens may decline due to the opening of the new restaurant.

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 philosophies; 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.

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 personnel. In addition, as independent businesses, franchisees may not be required to comply with the same levels of business or regulatory compliance that we are. While we try to ensure that the quality of our brand and compliance with our operating standards, and the confidentiality thereof, are maintained by all of our franchisees, we cannot provide assurance that 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 that McDonald’s USA, LLC (the parent-franchisor company for McDonald’s restaurants) could be jointly liable for labor and wage violations by its franchisees. If upheld, 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 repurchases of our stock, paying down debt, new restaurant development, our brand transformation initiative, investment in advertising, 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 or a negative effect on our revenues could affect our ability to borrow or comply with our covenants under our credit 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 those trade secrets and that 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.

We are subject to economic, political, regulatory, and other risks related to our international operations.

As of December 25, 2016, we owned 18 Red Robin restaurants in Canada and may have further international expansion in the future. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from and incremental to those in the United States. In addition to the risks that we face in the United States, our international operations involve risks that could adversely affect our business, including:

- the need to adapt our brand for specific cultural and language differences:
- new and different sources of competition;
- difficulties and costs associated with staffing and managing foreign operations;
- difficulties in adapting and sourcing product specifications for international restaurant locations;
- fluctuations in currency exchange rates, which could impact revenues and expenses of our international operations and expose us to foreign currency exchange rate risk;
- difficulties in complying with local laws, regulations, and customs in foreign jurisdictions;
- unexpected changes in regulatory requirements;
- political or social unrest and economic instability; compliance with U.S. laws such as the Foreign Corrupt Practices Act, and similar laws in foreign jurisdictions;
- differences in enforceability of intellectual property and contract rights;
- adverse tax consequences;
- profit repatriation and other restrictions on the transfer of funds; and
- different and more stringent user protection, data protection, privacy and other laws.

Our failure to manage any of these risks successfully could harm our future international operations and our overall business, and results of our operations.

Risks Related to the Restaurant Industry

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, and 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, and New York. For example, California enacted legislation that increased its minimum wage from $10 an hour to $10.50 an hour effective January 2017 for businesses with 26 or more employees, and which then increase each year until reaching $15 per hour in 2022. We anticipate additional legislation increasing minimum wage standards will be enacted in future periods and in other jurisdictions. The Patient Protection and Affordable Care Act of 2010 (the "PPACA") includes provisions requiring health care coverage for all Americans that began in 2014. 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 or replacement of 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 in our restaurants or taking gradual increases in pricing but there is no guarantee that 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, or 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.

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 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, nutritional disclosure, alcoholic beverage control, public accommodations, and financial and disclosure reporting and controls. These laws and regulations continually evolve and change. 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 and payment requirements including tip credit laws, 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.

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 the Company 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 fact, 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.

In addition, 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.

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. We record a contingent rent liability and the corresponding rent expense when specified levels have been achieved or when management determines that 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 36 Company-owned restaurants located in Arizona (4); Arkansas (1); California (1); Colorado (3); 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, 2018. We operate a test kitchen and training facility in located in Englewood, Colorado under a lease that expires December 31, 2022.

Our current 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 25, 2016, our restaurant locations comprised approximately 2.9 million square feet.

ITEM 3. Legal Proceedings

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. The table below sets forth the high and low per share sales prices for our common stock as reported by The NASDAQ Global Select Market for the indicated periods (based on our fiscal quarters).

	Sales Price	
	High	Low
2016		
4th Quarter	$ 58.65	$ 40.85
3rd Quarter	54.87	44.08
2nd Quarter	67.05	46.70
1st Quarter	68.97	55.79
2015		
4th Quarter	$ 82.66	$ 60.07
3rd Quarter	95.00	73.35
2nd Quarter	92.78	70.90
1st Quarter	89.46	71.37

As of February 20, 2017, there were 107 registered owners of our common stock.

Dividends

We did not declare or pay any cash dividends on our common stock during 2016 and 2015. We currently anticipate that we will retain any future cash flow to fund our operations and expansion of our business, to pay down debt, or to repurchase stock. 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 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 25, 2016, 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. The table below provides a summary of the Company's purchases of its own common stock during the fourth quarter of 2016.

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(2)	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs(2) (in thousands)
10/3/16-10/30/16	179,117	$ 45.02	803,075	$ 60,417
10/31/16-11/27/16	136,959	$ 47.42	940,034	$ 53,922
Pursuant to Publicly Announced Plans or Programs(2)	316,076			

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

(2) On February 11, 2016, the Company's board of directors re-authorized the Company's share repurchase program and approved the repurchase of up to $100 million of the Company's common stock. The share repurchase authorization became effective on February 11, 2016, and will terminate upon completing the repurchase of $100 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

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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. Since February 11, 2016, the Company has purchased 940,034 shares for a total of $46.1 million. The current repurchase program had remaining authorized funds of $53.9 million as of December 25, 2016.

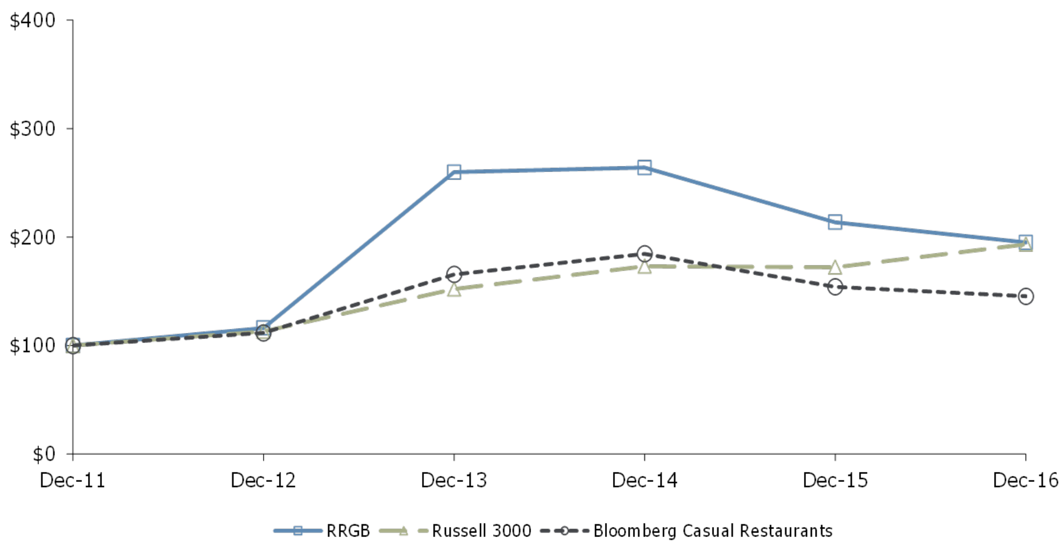
Performance Graph

The following graph compares the yearly percentage in cumulative total stockholders' return on Common Stock of the Company since December 23, 2011, with the cumulative total return over the same period for (i) the Russell 3000 Index, and (ii) the Bloomberg Casual Restaurants Index.

Pursuant to rules of the SEC, the comparison assumes $100 was invested on December 23, 2011, the last trading day in the Company's 2011 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*
Among Red Robin Gourmet Burgers, Inc., The Russell 3000 Index
and Bloomberg Casual Restaurants Index



	Fiscal Years Ended					
	December 25, 2011	**December 30, 2012**	**December 29, 2013**	**December 28, 2014**	**December 27, 2015**	**December 25, 2016**
Red Robin Gourmet Burgers, Inc.	$ 100.00	116.27	259.79	263.97	213.61	194.99
Russell 3000	100.00	113.04	152.05	173.13	172.22	193.33
Bloomberg Casual Restaurants	100.00	111.68	165.57	184.53	154.13	145.45

* $100 invested on December 23, 2011 in stock or index, including reinvestment of dividends based on calendar years ending December 31 for purposes of comparability.

ITEM 6. Selected Financial Data

The table below contains selected consolidated financial and operating data. The statement of income, cash flow, and balance sheet data for each fiscal year has been derived from our consolidated financial statements. You should read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

	Fiscal Year Ended				
	December 25, 2016	December 27, 2015	December 28, 2014	December 29, 2013	December 30, 2012
(in thousands, except per share data)	(52 Weeks)	(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)
Statement of Income Data:					
Revenue:					
Restaurant revenue	$ 1,280,669	$ 1,238,898	$ 1,129,135	$ 1,000,198	$ 960,994
Total revenues	1,296,441	1,257,592	1,146,102	1,017,247	977,132
Total costs and expenses(1)(2)(3)(4)	1,284,871	1,190,547	1,101,418	973,433	931,923
Income from operations	11,570	67,045	44,684	43,814	45,209
Net income	11,725	47,704	32,561	32,239	28,331
Earnings per share:					
Basic	$ 0.88	$ 3.40	$ 2.29	$ 2.27	$ 1.97
Diluted	$ 0.87	$ 3.36	$ 2.25	$ 2.22	$ 1.93
Shares used in computing earnings per share:					
Basic	13,332	14,042	14,237	14,225	14,411
Diluted	13,462	14,216	14,447	14,510	14,669
Balance Sheet Data:					
Cash and cash equivalents	$ 11,732	$ 22,705	$ 22,408	$ 17,108	$ 22,440
Total assets	918,545	839,979	735,889	634,645	597,132
Long-term debt, including current portion	347,838	210,847	147,896	88,714	134,995
Total stockholders' equity	348,053	374,311	359,771	347,403	306,919
Cash Flow Data:					
Net cash provided by operating activities	$ 98,957	$ 140,923	$ 123,581	$ 113,529	$ 94,379
Net cash used in investing activities	(199,379)	(169,111)	(155,278)	(78,231)	(63,305)
Net cash provided by (used in) financing activities	89,333	28,767	37,051	(40,630)	(43,670)
Selected Operating Data:					
Net sales per square foot in Company-owned restaurants	$ 449	$ 466	$ 462	$ 451	$ 449
Total operating weeks(5)	23,799	22,006	20,070	18,012	17,607
Company-owned restaurants open at end of period	465	439	415	361	339
Franchised restaurants open at end of period	86	99	99	134	133
Comparable restaurant net sales increase (decrease)(6)(7)	(3.3)%	2.1%	3.1%	4.0%	1.1%

(1) 2016 includes pre-tax non-cash asset impairment charges of $24.4 million related to the impairment of 19 restaurants 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 and $0.7 million related to acquiring 13 franchised restaurants.

(2) 2015 includes pre-tax non-cash asset impairment charges of $0.6 million related to the impairment of two restaurants.

(3) 2014 includes pre-tax costs of $1.8 million related to acquiring 36 franchised restaurants. 2014 also includes a pre-tax non-cash asset impairment charge of $8.8 million, of which $7.6 million related to the impairment of in-development software, and $1.2 million related to the impairment of three restaurants.

(4) 2013 includes pre-tax non-cash asset impairment charges of $1.5 million related to the impairment of four restaurants.

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

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

(7) Comparable restaurant sales increase and average annual comparable restaurant sales volumes for 2012 were calculated on a 53-week basis by adjusting fiscal year 2011 as if there were 53 weeks.

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

Overview

Description of the Business

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin," "we," "us," "our" or the "Company"), primarily develops, operates, and franchises full-service restaurants with 551 locations in North America. As of December 25, 2016, the Company's fiscal year end, we operated 465 Company-owned restaurants located in 39 states and two Canadian provinces. The Company also had 86 casual-dining restaurants operated by franchisees in 15 states as of December 25, 2016. 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 or six years. Our discussion for fiscal years 2016, 2015, and 2014, which ended on December 25, 2016, December 27, 2015, and December 28, 2014 refers to a 52-week period in each case.

Financial and Operational Highlights

The following summarizes the financial and operational highlights of 2016 and our 2017 outlook:

- *Financial Performance.*
  - Restaurant revenue increased $41.8 million, or 3.4%, to $1.3 billion for the 52 weeks ended December 25, 2016 as compared to $1.2 billion for the 52 weeks ended December 27, 2015, primarily due to a $86.9 million increase in revenue from newly opened and acquired restaurants, partially offset by a $38.9 million decrease in comparable restaurant revenue, $4.5 million from closed restaurants, and a $1.7 million unfavorable foreign exchange impact related to our Canadian restaurants. We expect total revenues to grow between 6% and 8% in 2017, comprising comparable revenue growth of 0.5% to 1.5% and increased operating weeks associated with locations opened in 2016 and 2017, as well as the 53rd week in 2017.
  - Restaurant operating costs, as a percentage of restaurant revenue, increased 190 basis points to 79.6% in 2016 compared to 77.7% in 2015. The increase was primarily due to higher labor costs, other restaurant operating costs, and occupancy, as a percentage of restaurant revenue, and was partially offset by a reduction in food and beverage costs.
  - Net income decreased to $11.7 million in 2016 from $47.7 million in 2015. Diluted earnings per share decreased to $0.87 as compared to $3.36 in fiscal year 2015. Excluding the impact of a $1.65 per diluted share related to asset impairment and restaurant closure costs, $0.20 per diluted share related to litigation contingencies, and $0.06 per diluted share related to reorganization costs, net income per diluted share in 2016 was $2.78. Excluding the impact of $0.06 per diluted share related to the change in accounting estimate for gift card breakage, and a non-cash charge of $0.02 per diluted share related to the impairment of two underperforming restaurants, net income per diluted share in 2015 was $3.32.
  - We purchased $46.1 million of common stock in 2016 through our share repurchase program.

- *Marketing.* Our Red Robin Royalty™ loyalty program operates in all of our U.S. and Canada 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. 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. In 2017, we plan to promote new items and value menus.

- *Brand Transformation Initiative.* In 2012, we began investing in our brand transformation program to enhance our service, food presentation, atmosphere, and other guest experiences. Key elements of the restaurant remodel associated with our brand transformation include greater separation of the bar and family dining area and refreshed exteriors including signage. In 2016, we remodeled 84 Red Robin restaurants to our new brand standards and have substantially completed the transformation process for Company-owned restaurants. Our franchisees are currently working to conform their restaurants to these new design standards through 2018.

- *Restaurant Development.* During 2016, we opened 26 Company-owned Red Robin restaurants, acquired 13 Red Robin restaurants from a franchisee, and relocated two Red Robin restaurants. In 2017, we plan to open approximately 17 new Company-owned Red Robin restaurants.

Restaurant Data

The following table details data pertaining to the number of Company-owned and franchised restaurants for the fiscal years 2016, 2015, and 2014.

	2016	2015	2014
Company-owned:			
Beginning of period	439	415	361
Opened during the period	26	24	22
Acquired from franchisee	13	1	36
Closed during the period	(13)	(1)	(4)
End of period	465	439	415
Franchised:			
Beginning of period	99	99	134
Opened during the period	—	1	2
Sold or closed during the period	(13)	(1)	(37)
End of period	86	99	99
Total number of restaurants	551	538	514

Results of Operations

Operating results for each fiscal year 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 revenues:

	2016 (52 Weeks)	2015 (52 Weeks)	2014 (52 Weeks)
Revenues:			
Restaurant	98.8 %	98.5%	98.5 %
Franchise royalties and fees	0.9	1.0	1.2
Other revenue	0.3	0.5	0.3
Total revenues	100.0 %	100.0%	100.0 %
Costs and expenses:			
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):			
Cost of sales	23.3	24.6	25.4
Labor	34.3	32.6	33.0
Other operating	13.6	12.4	12.5
Occupancy	8.4	8.1	7.7
Total restaurant operating costs	79.6	77.7	78.6
Depreciation and amortization	6.7	6.2	5.6
Selling, general, and administrative	10.5	11.4	11.5
Pre-opening costs	0.6	0.6	0.7
Asset impairment and restaurant closure costs	2.7	—	0.8
Income from operations	0.9	5.3	3.9
Other (income) expense:			
Interest expense	0.5	0.3	0.3
Interest income and other, net	—	—	(0.1)
Total other expenses	0.5	0.3	0.2
Income before income taxes	0.4	5.0	3.7
(Benefit) provision for income taxes	(0.5)	1.2	0.8
Net income	0.9 %	3.8%	2.8 %

Certain percentage amounts in the table above do not total due to rounding as well as the fact that restaurant operating costs are expressed as a percentage of restaurant revenues and not total revenues.

Revenues

(Revenues in thousands)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Restaurant revenue	$ 1,280,669	$ 1,238,898	3.4 %	$ 1,129,135	9.7 %
Franchise royalties and fees	11,209	12,526	(10.5)%	13,637	(8.1)%
Other revenue	4,563	6,168	(26.0)%	3,330	85.2 %
Total revenues	$ 1,296,441	$ 1,257,592	3.1 %	$ 1,146,102	9.7 %
Average weekly net sales volumes in Company-owned restaurants(1)(2)	$ 54,681	$ 57,242	(4.5)%	$ 56,652	1.0 %
Total operating weeks	23,799	22,006	8.1 %	20,070	9.6 %
Net sales per square foot	$ 449	$ 466	(3.6)%	$ 462	0.9 %

(1) Excludes Red Robin Burger Works.

(2) Calculated using historical currency rates. Using constant currency rates, the average weekly sales per unit for 2015 for Company-owned restaurants was $57,161. The Company calculates non-GAAP constant currency average weekly sales per unit by translating prior year local currency average weekly sales per unit to U.S. dollars based on current year average exchange rates.

Restaurant revenue, which comprises almost entirely food and beverage sales, increased by $41.8 million, or 3.4%, for the 52 weeks ended December 25, 2016 as compared to the 52 weeks in 2015. The increase was primarily due to a $86.9 million increase in revenue from newly opened and acquired restaurants, partially offset by a $38.9 million or 3.3% decrease in comparable restaurant revenue, $4.5 million from closed restaurants, and a $1.7 million unfavorable foreign exchange impact related to our Canadian restaurants. The comparable restaurant revenue decrease was driven by a 3.4% decrease in guest counts and a 0.1% unfavorable foreign exchange impact related to our Canadian restaurants, partially offset by a 0.2% increase in average guest check.

Restaurant revenue increased by $109.8 million, or 9.7%, for the 52 weeks ended December 27, 2015 as compared to the 52 weeks in 2014. Restaurants acquired in 2014 and 2015 contributed $46.7 million, net of a $2.9 million unfavorable impact of foreign currency exchange rates. New restaurant openings, net of closures, contributed $41.1 million of the increase. Comparable restaurant revenue grew $22.0 million or 2.1%. Comparable restaurant revenue growth resulted from a 2.5% increase in average guest check and a 0.4% decrease in guest counts.

Average weekly sales volumes represent the total restaurant revenue for all Company-owned Red Robin casual dining 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 by definition 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 royalties and fees comprise primarily royalty income and initial franchise fees. Franchise royalties and fees decreased $1.3 million or 10.5%, from 2015, primarily related to the loss of royalties from 14 franchised restaurants that we acquired in 2015 and 2016. Our franchisees reported that comparable restaurant revenue decreased 2.0% in 2016 as compared to 2015. The decrease in franchise royalties and fees in 2015 from 2014 is primarily related to the royalties from 37 franchised restaurants that we acquired in 2014 and 2015, partially offset by an increase in franchise royalties from existing and new franchise locations. Our franchisees reported that comparable restaurant revenue increased 4.9% in 2015 as compared to 2014.

Other revenue comprises primarily gift card breakage and licensing royalties. For the fiscal years ended December 25, 2016, December 27, 2015, and December 28, 2014, we recognized $3.5 million, $5.1 million, and $2.3 million of gift card breakage. Gift card breakage revenue in 2015 was higher due to a change in accounting estimate for gift card breakage.

Cost of Sales

(In thousands, except percentages)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Cost of sales	$ 298,249	$ 304,637	(2.1)%	$ 287,221	6.1 %
As a percent of restaurant revenue	23.3%	24.6%	(1.3)%	25.4%	(0.8)%

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 130 basis points in 2016 compared to 2015. The decrease was mainly driven by food cost deflation, primarily related to ground beef, along with favorable menu mix and pricing.

Cost of sales as a percentage of restaurant revenue decreased 80 basis points in 2015 compared to 2014. The decrease was driven by favorable menu mix and pricing, in addition to food cost deflation, primarily related to ground beef.

Labor

(In thousands, except percentages)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Labor	$ 439,232	$ 403,517	8.9%	$ 372,657	8.3 %
As a percent of restaurant revenue	34.3%	32.6%	1.7%	33.0%	(0.4)%

Labor costs include restaurant-level hourly wages and management salaries as well as related taxes and benefits. In 2016, labor as a percentage of restaurant revenue increased 170 basis points compared to 2015. This increase was primarily driven by increases in the minimum wages in certain states, higher manager salaries due to sales deleverage, and an increase in health insurance costs, partially offset by a decrease in management bonus.

In 2015, labor as a percentage of restaurant revenue decreased 40 basis points compared to 2014. This decrease primarily resulted from a decrease in health insurance and workers' compensation costs as well as the leverage of higher sales volumes, partially offset by higher average hourly rates.

Other Operating

(In thousands, except percentages)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Other operating	$ 173,977	$ 154,344	12.7%	$ 140,972	9.5 %
As a percent of restaurant revenue	13.6%	12.4%	1.2%	12.5%	(0.1)%

Other operating costs include costs such as equipment repairs and maintenance costs, restaurant supplies, utilities, restaurant technology, and other miscellaneous costs. During 2016, other operating costs as a percentage of restaurant revenue increased 120 basis points over the prior year, primarily due to higher costs of equipment repairs and maintenance, restaurant technology, credit card fees, and local marketing spending.

During 2015, other operating costs as a percentage of restaurant revenue decreased 10 basis points over the prior year, as lower utility and supply costs were partially offset by higher credit card fees and costs of restaurant technology.

Occupancy

(In thousands, except percentages)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Occupancy	$ 107,408	$ 100,007	7.4%	$ 86,734	15.3%
As a percent of restaurant revenue	8.4%	8.1%	0.3%	7.7%	0.4%

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. In 2016, occupancy costs as a percentage of restaurant revenue increased 30 basis points over the prior year, primarily due to sales deleverage. Our fixed rents for the fiscal years ended December 25, 2016 and December 27, 2015 were $71.9 million and $65.5 million, an increase of $6.4 million due to 39 locations opened and acquired since 2015.

In 2015, occupancy costs increased $13.3 million or 40 basis points over the prior year, primarily due to an increase in fixed rents and general liability insurance related to the restaurants acquired and opened since 2014. Our fixed rents for the fiscal years ended December 27, 2015 and December 28, 2014 were $65.5 million and $56.6 million.

Depreciation and Amortization

(In thousands, except percentages)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Depreciation and amortization	$ 86,695	$ 77,374	12.0%	$ 64,579	19.8%
As a percent of total revenues	6.7%	6.2%	0.5%	5.6%	0.6%

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. In 2016, depreciation and amortization increased $9.3 million or 12.0% compared to 2015, primarily related to new restaurants opened and acquired since 2015, restaurants remodeled under our brand transformation initiative since 2015, and accelerated depreciation of certain software and restaurant assets. We project our depreciation and amortization expense to be slightly less than $95 million in 2017.

In 2015, depreciation and amortization increased $12.8 million or 19.8% compared to 2014 primarily related to new restaurants opened and acquired, restaurants remodeled under our brand transformation initiative since 2014, and new technology put into service. The increase was partially offset by a $1.0 million decrease in depreciation related to a change in accounting estimate related to certain asset lives in 2015.

Selling, General, and Administrative

(In thousands, except percentages)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Selling, general, and administrative	$ 136,859	$ 143,079	(4.3)%	$ 132,158	8.3 %
As a percent of total revenues	10.5%	11.4%	(0.9)%	11.5%	(0.1)%

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

Selling, general, and administrative costs in 2016 decreased $6.2 million or 4.3% as compared to 2015. The decrease was primarily due to a decrease in incentive compensation, travel and entertainment, and professional services costs, partially offset by higher litigation contingencies and salaries.

Selling, general, and administrative costs in 2015 increased $10.9 million or 8.3% as compared to 2014. The increase was driven primarily by an increase in compensation expense, including stock-based and incentive-related compensation; increased marketing spending including gift card related costs; and increased training and hiring costs.

Pre-opening and Acquisition Costs

(In thousands, except percentages and restaurant openings)	2016	2015	2016 - 2015 Percent Change	2014	2015 - 2014 Percent Change
Pre-opening and acquisition costs(1)(2)	$ 8,025	$ 7,008	14.5 %	$ 8,264	(15.2)%
As a percent of total revenues	0.6%	0.6%	— %	0.7%	(0.1)%
Number of restaurants opened during year	26	24	8.3 %	22	9.1 %
Average per restaurant pre-opening costs	$ 281	$ 292	(3.8)%	$ 295	(1.0)%

(1) Acquisition costs in 2016 related to the acquisition of 13 Red Robin franchised restaurants in the United States totaled $0.7 million.

(2) Acquisition costs in 2014 related to the acquisition of 36 Red Robin franchised restaurants in the United States and Canada and totaled $1.8 million.

Pre-opening costs, which are expensed as incurred, consist of the costs of labor, hiring, and training the initial work force for our new restaurants; occupancy costs incurred prior to opening; travel expenses for our training teams; licenses and marketing; the cost of food and beverages used in training; supply costs; and other direct costs related to the opening of new restaurants. Average per restaurant pre-opening costs represents total costs incurred for those restaurants that opened for business during the periods presented, including Red Robin Burger Works restaurants.

Asset Impairment and Restaurant Closure Costs

During 2016, we determined that 19 Company-owned restaurants were impaired. We recognized a non-cash impairment charge of $24.4 million as a result of the current and projected future results of these restaurants. During 2015, we determined that two Company-owned restaurants were impaired and recognized a non-cash impairment charge of $0.6 million. During 2014, we determined that three Company-owned restaurants were impaired and recognized a non-cash impairment charge of $1.2 million. 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.

The Company also recognized a $0.8 million asset impairment charge due to the relocation of a restaurant during 2016. No impairments were recorded in 2015 or 2014 related to the relocation of restaurants.

During the fourth quarter of 2016, the Company determined certain software related to its Enterprise Resource Planning ("ERP") system would be obsolete upon migration to a cloud-based ERP system in 2017. The Company also determined certain software in development for supply chain management would not meet the Company's requirements if it were implemented. As a result, the Company recorded a $2.5 million impairment charge to write down the capitalized costs associated with this software.

No impairments related to software in development or use were recorded in 2015. During the fourth quarter of 2014, the Company determined that certain software in development related to the supply chain and human resource management system modules of its ERP system would not meet the Company's requirements if they were implemented. As the result, the Company recorded a $7.6 million impairment charge to write down the capitalized costs associated with the supply chain and human resource management system modules.

During 2016, the Company closed nine Red Robin Burger Works restaurants, a smaller non-traditional prototype with a limited menu and limited service, that were underperforming relative to Company expectations and recognized $6.7 million of restaurant closure costs. The Company recorded immaterial restaurant closure expenses in 2015 and 2014. Refer to Note 4, *Asset Impairment and Restaurant Closure Costs*.

Interest Expense

Interest expense in 2016, 2015, and 2014 was $7.2 million, $3.7 million, and $3.0 million. Interest expense increased in 2016 due to a higher average debt balance partially offset by a lower weighted average interest rate of 2.4% versus 2.6% in 2015. Interest expense increased in 2015 due to a higher average debt balance partially offset by a lower weighted average interest rate of of 2.6% versus 2.8% in 2014. Interest expense is expected to be between $7 million and $8 million in 2017.

(Benefit) Provision for Income Taxes

The benefit from income taxes was $6.9 million in 2016 compared to a provision for income taxes of $15.5 million in 2015 and a provision for income taxes of $9.3 million in 2014. Our effective income tax rate was 144.9% benefit in 2016, 24.6% expense in 2015, and 22.2% expense in 2014. The change in our 2016 effective tax rate is primarily attributable to a decrease in earnings before income tax as well as an increase in the FICA tip tax credit. The increase in our 2015 effective tax rate compared to 2014 was primarily attributable to an increase in earnings before income tax, partially offset by an increase in the FICA tip tax credit. The 2017 annual tax rate is projected to be between 20% and 22%.

Liquidity and Capital Resources

General

Cash and cash equivalents decreased $11.0 million to $11.7 million at December 25, 2016, from $22.7 million at December 27, 2015. This decrease in our cash position was primarily the net result of:

- $99.0 million of cash provided by operating activities;
- $132.9 million additional net borrowings from our credit facility and payments on capital leases;

- $203.7 million used for the construction of new restaurants, expenditures for facility improvements, acquisition of franchised restaurants, and investments in information technology;
- $46.1 million used for the repurchase of the Company's common stock; and
- $3.6 million in proceeds and the related tax benefit from stock option exercises and purchases of common stock through the employee stock purchase plan.

We expect to continue to reinvest available cash flows from operations to develop new restaurants or invest in existing restaurants and infrastructure; pay down debt; opportunistically repurchase our common stock; purchase franchised restaurants; and execute our long-term strategic initiatives.

In 2014, we acquired 18 Red Robin franchised restaurants in Canada and we intend to reinvest earnings from these restaurants in our Canadian subsidiaries 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.

Cash Flows

The table below summarizes our cash flows from operating, investing, and financing activities for each of the past three fiscal years (in thousands):

	2016	2015	2014
Net cash provided by operating activities	$ 98,957	$ 140,923	$ 123,581
Net cash used in investing activities	(199,379)	(169,111)	(155,278)
Net cash provided by financing activities	89,333	28,767	37,051
Effect of exchange rate changes on cash and cash equivalents	116	(282)	(54)
Net (decrease) increase in cash and cash equivalents	$ (10,973)	$ 297	$ 5,300

Operating Cash Flows

Net cash provided by operating activities decreased $41.9 million to $99.0 million in 2016 as compared to $140.9 million in 2015. The decrease was primarily driven by $24.0 million in additional payments to vendors, a $15.4 million decrease in cash generated from restaurant operations, a $4.7 million increase in team member salaries and benefits, a $3.0 million increase in interest payments, $2.7 million paid for restaurant closure costs, and a $1.8 million increase in compensation payments related to prior year's bonus payout, partially offset by a $9.7 million decrease in income tax payments.

Net cash provided by operating activities increased $17.3 million to $140.9 million in 2015 as compared to $123.6 million in 2014. The increase was primarily driven by a $35.8 million increase from restaurant operations including $15.7 million from newly opened and acquired restaurants, offset by $5.0 million in additional payments to vendors, $2.9 million additional tax and interest payments, a $2.9 million increase marketing spend (including gift card related costs), a $2.0 million decrease in tenant incentive payments received, a $1.9 million increase in compensation payments, and $1.6 million of additional training related costs.

Investing Cash Flows

Net cash flows used in investing activities increased $30.3 million from $169.1 million in 2015 to $199.4 million in 2016. The increase over prior year is primarily due to the acquisition of franchised restaurants and increased investment in new restaurant openings, partially offset by decreased investments in restaurant remodels. The following table lists the components of our capital expenditures, net of currency translation effect, for 2016 (in thousands):

	Year Ended December 25, 2016
New restaurants	$ 63,177
Restaurant remodels	55,561
Acquisition of franchised restaurants	39,966
Investment in technology infrastructure and other	25,582
Restaurant maintenance capital	19,447
Total capital expenditures	$ 203,733

Net cash flows used in investing activities increased $13.8 million from $155.3 million in 2014 to $169.1 million in 2015. The increase over prior year was primarily due to the increased investments in restaurant remodels and technology infrastructure, partially offset a decrease in acquisitions and new restaurant openings.

In 2017, capital expenditures are expected to be between $85 million and $95 million, primarily related to the construction of new restaurants.

Financing Cash Flows

Cash provided by our financing activities increased $60.6 million to $89.3 million in 2016. This increase was primarily due to a $69.9 million increase in net debt borrowings, partially offset by a $6.1 million increase in cash used to repurchase the Company's common stock, a $2.5 million decrease in net cash proceeds received from exercise of employee stock options and purchase plan and tax benefit from exercise of stock options, and a $0.7 million increase in debt issuance costs.

Cash provided by our financing activities decreased $8.3 million to $28.8 million in 2015. This increase was primarily due to a $13.1 million increase in cash used to repurchase the Company's common stock, partially offset by a $3.8 million increase in net debt borrowings and a $0.9 million increase in net cash proceeds received from exercise of employee stock options and purchase plan.

Credit Facility. On June 30, 2016, we replaced the credit facility that we entered into in 2014 with a new credit facility (the "New Credit Facility") with the same group of lenders. The New Credit Facility provided 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, and 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 New 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 .50% and (c) LIBOR for an Interest Period of one month plus 1%). Borrowings under the New 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%).

The New Credit Facility matures on June 30, 2021. Borrowings under the New 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 25, 2016, the Company had outstanding borrowings under the New Credit Facility of $335.5 million, in addition to amounts issued under letters of credit of $8.8 million, which reduced the amount available under the New Credit Facility but are not recorded as debt.

Covenants. We are subject to a number of customary covenants under the New Credit Facility, including limitations on additional borrowings, acquisitions, capital expenditures, stock repurchases, lease commitments, and dividend payments. We are also required to maintain two financial ratios. First, we are required to maintain a lease adjusted leverage ratio below 4.75x EBITDAR. Secondly, we are required to maintain a fixed charge coverage ratio minimum of 1.25x our fixed charges. As of December 25, 2016, our lease adjusted leverage ratio was 4.35x and our fixed charge coverage ratio was 2.11x. The lease adjusted leverage ratio, fixed charge coverage ratio, EBITDAR, and fixed charges are defined in Section 1.1 of the Credit Agreement for our New Credit Facility, which is filed as Exhibit 10.32 of this Annual Report on Form 10-K.

If we were to experience continuing declines in comparable sales or deterioration in operating cash flows, it could impact our ability to comply with our debt covenant financial ratios, which could accelerate repayment of and impact availability to borrow under the New Credit Facility. In the event this were to occur, we would pursue an amendment of the New Credit Facility with our lenders.

Debt Outstanding. Total debt and capital lease obligations outstanding increased $137.0 million to $347.8 million at December 25, 2016 from $210.8 million at December 27, 2015, primarily due to the additional borrowings in 2016 to fund restaurant remodels to the Company's new brand standards and construction of new restaurants, and together with cash flow from operations, to fund the repurchase of $46.1 million of our common stock.

Stock Repurchase. On February 11, 2016, the Company's board of directors re-authorized the Company's share repurchase program and approved the repurchase of up to $100 million of the Company's common stock. The share repurchase authorization became effective on February 11, 2016, and will terminate upon completing the repurchase of $100 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 it may be suspended or discontinued at any time.

In 2016, we repurchased 940,034 shares with an average purchase price of $49.02 per share for a total of $46.1 million. In 2015, we repurchased 556,049 shares with an average purchase price of $71.93 per share for a total of $40.0 million. In 2014, we repurchased 463,780 shares with an average purchase price of $57.97 per share for a total of $26.9 million.

Contractual Obligations. The following table summarizes the amounts of payments due under specified contractual obligations as of December 25, 2016 (in thousands):

	Payments Due by Period				
	Total	2017	2018 - 2019	2020 - 2021	2022 and Thereafter
Long-term debt obligations[(1)]	$ 375,631	$ 13,219	$ 17,403	$ 344,069	$ 940
Capital lease obligations[(2)]	15,620	1,183	2,366	2,436	9,635
Operating lease obligations[(3)]	558,331	73,496	136,800	115,982	232,053
Purchase obligations[(4)]	142,588	101,265	28,954	12,369	—
Other non-current liabilities[(5)]	9,334	1,341	1,655	1,499	4,839
Total contractual obligations	$ 1,101,504	$ 190,504	$ 187,178	$ 476,355	$ 247,467

(1) Long-term debt obligations primarily represent minimum required principal payments under our credit agreement including estimated interest of $39.0 million based on a 2.65% average borrowing interest rate.

(2) Capital lease obligations include interest of $4.2 million.

(3) Operating lease obligations represent future minimum lease commitments payable for land, buildings, and equipment used in our operations. This table excludes contingent rents, including amounts which are determined as a percentage of adjusted sales in excess of specified levels.

(4) Purchase obligations include commitments for the construction of new restaurants and other capital improvement projects and lease commitments for Company-owned restaurants where leases have been executed but construction has not begun. It also includes the Company's share of system-wide commitments for beverage and 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 employee deferred compensation plan liability. Refer to Note 17, *Employee Benefit Programs,* of Notes to Consolidated Financial Statements of this report for additional information.

Financial Condition and Future Liquidity. We require capital principally to grow the business through new restaurant construction, as well as to maintain, improve and refurbish existing restaurants, support for infrastructure needs, and for general operating purposes. 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 that 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. We also continually invest in our business through the addition of new restaurants and refurbishment of existing restaurants, which are reflected as long-term assets and not as part of 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 revolving credit facility to satisfy short-term liquidity requirements. However, we believe that our future cash flows will be sufficient to satisfy any working capital deficits.

Inflation

The primary inflationary factors affecting our operations are food, labor costs, energy costs, and materials used in the construction of new restaurants. A large number of our restaurant personnel are paid at rates based on the applicable minimum wage, and increases in the minimum wage 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. We believe food cost deflation had a positive impact on our financial condition and results of operations during 2016, due primarily to ground beef. Food cost deflation was partially offset by a negative impact of inflation on labor costs in 2016. We believe inflation had a negative impact on our financial condition and results of operations in 2014 and 2015 due primarily to higher wages, costs for certain supplies, and commodity prices for certain foods we purchased at market rates. Uncertainties related to fluctuations in costs, including energy costs, commodity prices, annual indexed wage increases, and construction materials make it difficult to predict what impact, if any, inflation may have on our business during 2017, but it is anticipated that inflation will continue to have a negative impact on labor costs in fiscal year 2017.

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. As a result, our quarterly and annual 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 fluctuate.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that 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 that 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 used different assumptions or conditions. We have identified the following as the Company’s most critical accounting policies, which are those that 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, and other fixed 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 combined 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, 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 2016, we determined that 19 Company-owned restaurants were impaired, which resulted in a non-cash impairment charge of $24.4 million. During 2015 and 2014, we impaired two and three Company-owned restaurants for non-cash charges of $0.6 million and $1.2 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. During 2016, the Company determined that certain software related to its ERP system was obsolete upon migration to a cloud-based ERP system. The Company also determined that certain software in development for supply chain management would not meet the Company's requirements if it were implemented. As a result, we recorded a $2.5 million impairment charge to write down the capitalized costs associated with this software. During 2014, we determined that certain software in development related to the supply chain and human resource management modules of our ERP system would not meet the Company's operating requirements if they were implemented. As the result, we recorded a $7.6 million impairment charge to write down the capitalized costs associated with the supply chain and human resource management system modules.

Goodwill. Goodwill, which is not subject to amortization, is evaluated for impairment annually during the Company's fourth fiscal quarter, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of store closures, that would indicate that 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 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 date of our acquisitions.

During 2016, the Company changed its assessment date for goodwill impairment from the end of the Company's fiscal year to the end of its third fiscal quarter. The new assessment date is preferable as it provides the Company additional time to review and complete its goodwill impairment testing prior to the year-end reporting process and results in better alignment with the Company's long-term budgeting and forecasting process. The change in assessment date did not delay, accelerate, or avoid an impairment charge. In 2016, the Company performed a quantitative assessment and determined that goodwill was not impaired as of October 2, 2016. The Company performed a qualitative assessment as of December 27, 2015, for the 2015 annual impairment evaluation. By review of macroeconomic conditions, industry and market conditions, cost factors, overall financial performance compared with prior projections, and other relevant entity-specific events, we determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, and therefore concluded that goodwill was not impaired as of December 27, 2015.

Lease Accounting. Under the provisions of certain of our leases, there are rent holidays and/or escalations in payments over the base lease term, as well as renewal periods. The effects of rent holidays and escalations are reflected in rent costs on a straight-line basis over the expected lease term, which includes cancelable option periods when it is deemed to be reasonably assured that we will exercise such option periods due to the fact that we would incur an economic penalty for not doing so. The lease term commences on the date when we become legally obligated for the rent payments which coincides with the time when the landlord delivers the property for us to develop and we waive contract contingencies. All rent costs recognized during construction periods are expensed immediately as pre-opening expenses.

Judgments made by management for its lease obligations include the probable term for each lease that affects the classification and accounting for a lease as capital or operating; the rent holidays and/or escalations in payments that are taken into consideration when calculating straight-line rent; incremental borrowing rates; and the term over which leasehold improvements for each restaurant facility are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used. We have not made any changes to the nature of the assumptions used to account for leases in the past three years.

Insurance/Self-Insurance Liabilities. The Company is self-insured for a portion of losses related to group health insurance, general liability and workers' compensation. We maintain stop-loss coverage with third party insurers to limit our total exposure. The self-insurance liability represents an estimate of the cost of claims incurred and unpaid as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial based estimates, as well as incurred but not reported claims, and is closely monitored and adjusted when warranted by changing circumstances. Should a greater number of claims occur compared to what was estimated, or should medical costs or other claim costs increase beyond what was expected, our accrued liabilities might not be sufficient, and additional expenses may be recorded. Actual claims experience could also be more favorable than estimated, resulting in expense reductions. Unanticipated changes in our estimates may produce materially different amounts of expense than that reported historically under these programs. We have not made any significant changes to the nature of the assumptions used to account our self-insurance liabilities in the past three years.

Income Taxes. The determination of the Company's provision for income taxes requires management's judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. The Company establishes contingency reserves for material, known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. The Company's reserves reflect its judgment as to the resolution of the issues involved if subject to judicial review. Several years may elapse before a particular matter, for which the Company has established a reserve, is audited and finally resolved or clarified. While the Company believes that its reserves are adequate to cover reasonably expected tax risks, issues raised by a tax authority may be finally resolved at an amount different than the related reserve. Such differences could materially increase or decrease the Company's income tax provision in the current and/or future periods. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these reserves are adjusted through the provision for income taxes in the period of change. To the extent the Company determines that it will not realize the benefit of some or all of its deferred tax assets, then these assets will be adjusted through the Company's provision for income taxes in the period in which this determination is made.

Unearned Revenues. Unearned revenues represent our liability for gift cards that have been sold but not yet redeemed, as well as deferred revenues related to our loyalty program. We recognize sales when the gift card is redeemed by the customer. Although there are no expiration dates or dormancy fees for our gift cards, based on our historical gift card redemption patterns, we can reasonably estimate the amount of gift cards for which redemption is remote, which is referred to as "breakage." We recognize breakage within other revenue over the expected period of redemption as the remaining gift card values are redeemed. If actual redemption patterns vary from our estimates, actual gift card breakage income may differ from the amounts recorded. We update our estimate of our breakage rate periodically and apply that rate to gift card redemptions.

Under the terms of our Red Robin Royalty™ loyalty program, among other benefits, a registered member receives an award for a free entrée after the purchase of nine qualifying entrées. 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 on earned rewards when redeemed or upon expiration, which is 60 days after the award is earned. We compare the estimate of the value of future awards to historical redemptions to evaluate the reasonableness of the deferred amount.

Stock-Based Compensation. We account for stock-based compensation in accordance with fair value recognition provisions, under which we recognize stock-based compensation using the Black-Scholes or Monte Carlo (for performance-based units) option pricing model and recognize expense on a graded vesting basis over the requisite service periods of an option. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require the input of highly subjective and judgmental assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. We have not made any changes to the nature of the assumptions used to account for stock-based compensation in the past three years.

Business Combinations. The Company allocates the purchase price of an acquired business to its net identifiable assets and liabilities based on the estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. The Company uses all available information to estimate fair values including the fair value determination of indefinable intangible assets such as reacquired franchise rights, and any other significant assets or liabilities. In making these determinations, the Company may use the assistance of an independent third party valuation group.

Off Balance Sheet Arrangements

Except for operating leases (primarily restaurant leases) entered into the normal course of business, we do not have any material off balance sheet arrangements.

Recent Accounting Pronouncements

Refer to Note 2, *Recent Accounting Pronouncements*, of Notes to Consolidated Financial Statements of this report.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Under our New Credit Facility, we are exposed to market risk from changes in interest rates on borrowings, which bear interest at one of the following rates we select: if our borrowings are denominated in U.S. Dollars, an Alternate Base Rate ("ABR"), based on the Prime Rate plus 0.0% to 1.0%, or the London Interbank Offered Rate ("LIBOR"), based on the relevant one, three, or six-month LIBOR, at our discretion, plus 1.0% to 2.0%; if our borrowings are denominated in Canadian Dollars, an ABR based on the Canadian Prime Rate plus 0.0% to 1.0%, or LIBOR, based on the relevant one, three, or six-month LIBOR, at our discretion, plus 1.0% to 2.0%. The spread, or margin, for ABR and LIBOR loans under the New Credit Facility is subject to quarterly adjustment based on our leverage ratio, as defined by the credit agreement. As of December 25, 2016, we had $335.5 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 $3.4 million on an annualized basis.

Our objective in managing exposure to interest rate changes is to limit the effect of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve this objective, we have, in the past, used an interest rate swap to fix a portion of our variable rate debt. Our last interest rate swap matured on June 30, 2015. 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. Refer to Note 9, *Derivative and Other Comprehensive Income,* of Notes to Consolidated Financial Statements of this report for additional information.

Foreign Currency Exchange Risk

We operate 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, 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. Refer to the "Risk Factors" set forth in Part II, Item 1A of this filing for more information about the market risks to which we are exposed as a result of our foreign operations.

Commodity Price Risks

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 25, 2016, 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 2017. 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

The Board of Directors and Stockholders of
Red Robin Gourmet Burgers, Inc.:

We have audited the accompanying consolidated balance sheets of Red Robin Gourmet Burgers, Inc. and subsidiaries (the Company) as of December 25, 2016 and December 27, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended. 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 conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Red Robin Gourmet Burgers, Inc. and subsidiaries as of December 25, 2016 and December 27, 2015, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 25, 2016, based on criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 21, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 21, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year ended December 28, 2014 of Red Robin Gourmet Burgers, Inc. and subsidiaries (the “Company”). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows Red Robin Gourmet Burgers, Inc. and subsidiaries, for the year ended December 28, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado
February 20, 2015

RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	December 25, 2016	December 27, 2015
Assets:		
Current Assets:		
Cash and cash equivalents	$ 11,732	$ 22,705
Accounts receivable, net	24,166	27,760
Inventories	29,899	28,223
Prepaid expenses and other current assets	27,049	18,052
Total current assets	92,846	96,740
Property and equipment, net	656,439	603,686
Goodwill	95,935	81,957
Intangible assets, net	42,270	39,573
Other assets, net	31,055	18,023
Total assets	$ 918,545	$ 839,979
Liabilities and Stockholders' Equity:		
Current Liabilities:		
Trade accounts payable	$ 13,740	$ 23,392
Construction related payables	12,862	28,692
Accrued payroll and payroll-related liabilities	34,703	47,587
Unearned revenue	50,199	48,392
Accrued liabilities and other current liabilities	29,505	29,610
Total current liabilities	141,009	177,673
Deferred rent	72,431	66,470
Long-term debt	336,375	202,875
Long-term portion of capital lease obligations	10,805	7,441
Other non-current liabilities	9,872	11,209
Total liabilities	570,492	465,668
Stockholders' Equity:		
Common stock; $0.001 par value: 45,000 shares authorized; 17,851 and 17,851 shares issued; 12,828 and 13,628 shares outstanding	18	18
Preferred stock, $0.001 par value: 3,000 shares authorized; no shares issued and outstanding	—	—
Treasury stock 5,023 and 4,223 shares, at cost	(207,720)	(167,339)
Paid-in capital	208,022	205,995
Accumulated other comprehensive loss, net of tax	(5,008)	(5,379)
Retained earnings	352,741	341,016
Total stockholders' equity	348,053	374,311
Total liabilities and stockholders' equity	$ 918,545	$ 839,979

See Notes to Consolidated Financial Statements.

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RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Year Ended		
	December 25, 2016	December 27, 2015	December 28, 2014
Revenues:			
Restaurant revenue	$ 1,280,669	$ 1,238,898	$ 1,129,135
Franchise royalties and fees	11,209	12,526	13,637
Other revenue	4,563	6,168	3,330
Total revenues	1,296,441	1,257,592	1,146,102
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	298,249	304,637	287,221
Labor (includes $181, $115, and $81 of stock-based compensation)	439,232	403,517	372,657
Other operating	173,977	154,344	140,972
Occupancy	107,408	100,007	86,734
Depreciation and amortization	86,695	77,374	64,579
Selling, general, and administrative expenses (includes $4,364, $4,609, and $4,089 of stock-based compensation)	136,859	143,079	132,158
Pre-opening and acquisition costs	8,025	7,008	8,264
Asset impairment and restaurant closure costs	34,426	581	8,833
Total costs and expenses	1,284,871	1,190,547	1,101,418
Income from operations	11,570	67,045	44,684
Other (income) expense:			
Interest expense	7,239	3,680	3,045
Interest (income) and other, net	(457)	129	(220)
Total other expenses	6,782	3,809	2,825
Income before income taxes	4,788	63,236	41,859
(Benefit) provision for income taxes	(6,937)	15,532	9,298
Net income	$ 11,725	$ 47,704	$ 32,561
Earnings per share:			
Basic	$ 0.88	$ 3.40	$ 2.29
Diluted	$ 0.87	$ 3.36	$ 2.25
Weighted average shares outstanding:			
Basic	13,332	14,042	14,237
Diluted	13,462	14,216	14,447

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended		
	December 25, 2016	December 27, 2015	December 28, 2014
Net income	$ 11,725	$ 47,704	$ 32,561
Other comprehensive income (loss), net of tax:			
Changes in derivative instruments:			
Net change in fair value of interest rate swap	—	(3)	(94)
Net loss reclassified into interest expense	—	36	95
Tax expense	—	(13)	—
Net changes in derivative instruments	—	20	1
Foreign currency translation adjustment	371	(3,475)	(1,900)
Other comprehensive income (loss), net of tax	371	(3,455)	(1,899)
Total comprehensive income	$ 12,096	$ 44,249	$ 30,662

See Notes to Consolidated Financial Statements.

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RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Treasury Stock					
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive Loss, net of tax	Retained Earnings	Total
Balance, December 29, 2013	17,851	$ 18	3,501	$ (110,486)	$ 197,145	$ (25)	$ 260,751	$ 347,403
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(157)	5,118	(3,049)	—	—	2,069
Excess tax benefit from exercise of stock options	—	—	—	—	2,224	—	—	2,224
Acquisition of treasury stock	—	—	464	(26,884)	—	—	—	(26,884)
Non-cash stock compensation	—	—	—	—	4,297	—	—	4,297
Net Income							32,561	32,561
Other comprehensive loss	—	—	—	—	—	(1,899)	—	(1,899)
Balance, December 28, 2014	17,851	18	3,808	(132,252)	200,617	(1,924)	293,312	359,771
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(141)	4,922	(1,515)	—	—	3,407
Excess tax benefit from exercise of stock options	—	—	—	—	1,980	—	—	1,980
Acquisition of treasury stock	—	—	556	(40,009)	—			(40,009)
Non-cash stock compensation	—	—	—	—	4,913	—	—	4,913
Net income	—	—	—	—	—	—	47,704	47,704
Other comprehensive loss	—	—	—	—	—	(3,455)	—	(3,455)
Balance, December 27, 2015	17,851	18	4,223	(167,339)	205,995	(5,379)	341,016	374,311
Exercise of options, issuance of restricted stock, shares exchanged for exercise and tax, and stock issued through employee stock purchase plan	—	—	(140)	5,697	(3,001)	—	—	2,696
Excess tax benefit from exercise of stock options	—	—	—	—	411	—	—	411
Acquisition of treasury stock	—	—	940	(46,078)	—	—	—	(46,078)
Non-cash stock compensation	—	—	—	—	4,617	—	—	4,617
Net income	—	—	—	—	—	—	11,725	11,725
Other comprehensive income	—	—	—	—	—	371	—	371
Balance, December 25, 2016	17,851	$ 18	5,023	$ (207,720)	$ 208,022	$ (5,008)	$ 352,741	$ 348,053

See Notes to Consolidated Financial Statements.

RED ROBIN GOURMET BURGERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended		
	December 25, 2016	**December 27, 2015**	**December 28, 2014**
Cash Flows From Operating Activities:			
Net income	$ 11,725	$ 47,704	$ 32,561
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	86,695	77,374	64,579
Gift card breakage	(3,517)	(5,079)	(2,284)
(Benefit) provision for deferred income taxes and benefit from exercise of stock options	(11,929)	2,681	(1,990)
Asset impairment and restaurant closure costs	31,842	581	8,833
Stock-based compensation	4,545	4,724	4,170
Amortization of debt issuance costs and other	555	479	702
Changes in operating assets and liabilities, net of effects of acquired business:			
Accounts receivable and other current assets	(3,537)	4,272	(1,279)
Inventory	(1,218)	(2,375)	(1,949)
Other assets	(1,618)	(3,055)	(6,466)
Trade accounts payable, accrued and other liabilities	(22,414)	1,536	12,051
Unearned revenue	5,073	7,909	8,877
Deferred rent	2,755	4,172	5,776
Net cash provided by operating activities	98,957	140,923	123,581
Cash Flows From Investing Activities:			
Purchases of property, equipment and intangible assets	(163,767)	(166,284)	(107,703)
Acquisition of franchise restaurants, net of cash acquired	(39,966)	(2,532)	(47,511)
Proceeds from sales of real estate and property, plant, and equipment	4,354	—	—
Other investing activities	—	(295)	(64)
Net cash used in investing activities	(199,379)	(169,111)	(155,278)
Cash Flows From Financing Activities:			
Borrowings of long-term debt	366,500	415,500	231,000
Payments of long-term debt and capital leases	(233,642)	(352,550)	(171,817)
Purchase of treasury stock	(46,078)	(40,009)	(26,884)
Debt issuance costs	(1,058)	(319)	(690)
Tax benefit from exercise of stock options	411	1,980	2,224
Proceeds from exercise of stock options and employee stock purchase plan	3,200	4,165	3,218
Net cash provided by financing activities	89,333	28,767	37,051
Effect of exchange rate changes on cash and cash equivalents	116	(282)	(54)
Net (decrease) increase in cash and cash equivalents	$ (10,973)	$ 297	$ 5,300
Cash and cash equivalents, beginning of year	22,705	22,408	17,108
Cash and cash equivalents, end of year	$ 11,732	$ 22,705	$ 22,408

See Notes to Consolidated Financial Statements.

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 develops, operates, and franchises casual-dining restaurants in North America. At December 25, 2016, the Company owned and operated 465 restaurants located in 39 states and two Canadian provinces. The Company also had 86 casual-dining restaurants operated by franchisees in 15 states as of December 25, 2016. The Company operates its business as one operating and one reportable segment.

Principles of Consolidation and Fiscal Year—The consolidated financial statements of the Company 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. Fiscal years 2016, 2015, and 2014 each included 52 weeks, ending on December 25, 2016, December 27, 2015, and December 28, 2014. Fiscal year 2017 will include 53 weeks and will end on December 31, 2017. We refer to our fiscal years as 2017, 2016, 2015, 2014, 2013, and 2012 throughout this Annual Report on Form 10-K.

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, allocation of purchase price for business combinations, 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.

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 2016, there was approximately $12.4 million of gift cards in transit in accounts receivable related to gift cards that were sold by third-party retailers compared to $13.2 million at the end of 2015. At the end of 2016, there was also approximately $3.8 million related to tenant improvement allowances in accounts receivable compared to $6.6 million at the end of 2015.

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 2016 and 2015, food and beverage inventories were $9.8 million and $9.3 million and supplies inventories were $20.1 million and $18.9 million.

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. Capitalized interest totaled $0.2 million in 2016, 2015, and 2014.

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, remodeling restaurants to the Company's new brand standards, as well as certain information technology infrastructure upgrades. Capitalized overhead for the years ended December 25, 2016, December 27, 2015, and December 28, 2014 was $4.1 million, $4.1 million, and $3.8 million. Costs incurred for the potential development of restaurants that are subsequently terminated are expensed. No material expense has been incurred in any of the fiscal years presented.

Business Combinations—The Company allocates the purchase price of an acquired business to its net identifiable assets and liabilities based on the estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. The Company uses all available information to estimate fair values including the fair value determination of identifiable intangible assets such as reacquired franchise rights, and any other significant assets or liabilities. In making these determinations, the Company may use the assistance of an independent third party valuation specialist.

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, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of store closures, that would indicate that impairment may exist. During 2016, the Company changed its assessment date for goodwill impairment from the end of the Company's fiscal year to the end of its third fiscal quarter. The new assessment date is preferable as it provides the Company with additional time to review and complete its goodwill impairment testing prior to the year-end reporting process and results in better alignment with the Company's long-term budgeting and forecasting process. The change in assessment date did not delay, accelerate, or avoid an impairment charge.

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 date of our acquisitions.

The Company performed a quantitative assessment and determined that goodwill was not impaired as of October 2, 2016. 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.

The Company performed a qualitative assessment as of December 27, 2015 for the 2015 annual impairment evaluation. By review of macroeconomic conditions, industry and market conditions, cost factors, overall financial performance compared with prior 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, and therefore concluded that goodwill was not impaired as of December 27, 2015.

Liquor licenses with indefinite lives are reviewed for impairment annually or whenever events or changes in circumstances indicate that 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 2016, 2015, or 2014.

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.

During 2016, 2015, and 2014, the Company recorded impairments of certain long-lived assets. See Note 4, *Asset Impairment and Restaurant Closures*.

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. The Company refinanced its credit facility in June 2016 and capitalized an additional $1.1 million of debt issuance costs. Refer to Note 8, *Borrowings*. Unamortized debt issuance costs at the end of 2016 and 2015 were $2.3 million and $1.7 million.

Revenue Recognition—Revenues consist of sales from restaurant operations, gift card breakage, franchise royalties and fees, and other miscellaneous revenue. Revenues from restaurant sales are recognized when payment is tendered at the point of sale.

The Company sells gift cards which do not have an expiration date, and it does not deduct dormancy fees from outstanding gift card balances. The Company recognizes revenue from gift cards when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer is remote (gift card breakage), and the Company determines that 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 over the period of estimated redemption.

For the fiscal years ended 2016, 2015, and 2014, the Company recognized $3.5 million, $5.1 million and $2.3 million in revenue related to unredeemed gift card breakage. Gift card breakage is included in Other revenue in the Consolidated Statements of Income. Unearned gift card revenue at the end of 2016 and 2015 was $41.0 million and $38.2 million.

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. The Company provides management expertise, training, pre-opening assistance, and restaurant operating assistance in exchange for area development fees, franchise fees, license fees, and royalties of 4% of the franchised adjusted gross restaurant sales. The Company recognizes area development fees and franchise fees as income when the Company has performed all material obligations and initial services, which generally occurs upon the opening of the new restaurant. Until earned, these fees are accounted for as an accrued liability. Area development fees are recognized proportionately with the opening of each new restaurant. Royalties are accrued as earned and are calculated each period based on the franchisee's reported adjusted sales.

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 redeemed or upon expiration, which is 60 days after the award is earned. We compare the estimate of the value of future awards to historical redemptions to evaluate the reasonableness of the deferred amount. Deferred loyalty revenue, which was included in Unearned revenue in the accompanying Consolidated Balance Sheets, was $9.2 million and $10.2 million at December 25, 2016 and December 27, 2015.

Advertising—Under the Company's franchise agreements, both the Company and the franchisees must contribute a minimum percentage 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. The Company's portion of contributions to these Advertising Funds is recorded as advertising costs under Selling, general, and administrative expenses in the Consolidated Statements of Income.

Advertising costs related to our local marketing benefit specific restaurants or markets and are recorded as Other operating expenses in the Consolidated Statements of Income.

Total advertising costs were $37.6 million, $34.8 million, and $29.9 million in 2016, 2015, and 2014, and were primarily 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.

Rent—The Company's leases generally contain escalating rent payments over the lease term as well as optional renewal periods. The Company accounts for its leases by recognizing rent expense on a straight-line basis over the lease term, which includes reasonably assured renewal periods. The lease term begins when the Company has the right to control the use of the property, which is typically before rent payments are due under the lease agreement. The difference between the rent expense and rent paid is recorded as Deferred rent in the Consolidated Balance Sheets. Rent expense for the period prior to the restaurant opening is expensed in pre-opening costs. Tenant incentives used to fund leasehold improvements are recorded in deferred rent and amortized as reductions of lease rent expense ratably over the lease term.

Additionally, certain of the Company's operating lease agreements contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. The Company recognizes contingent rent expense prior to the achievement of the specified target that triggers contingent rent, provided the achievement of that target is considered probable. Refer to Note 13*, Commitments and Contingencies.*

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 that 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. See Note 13, *Commitments and Contingencies*, for additional details.

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.

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.

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. During 2016, 2015, and 2014, a total of 229 thousand, 61 thousand, and 65 thousand weighted average stock options outstanding were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented. The Company uses the treasury stock method to calculate the impact of outstanding stock options.

The computations for basic and diluted earnings per share for the fiscal years ended December 25, 2016, December 27, 2015, and December 28, 2014 are as follows (in thousands, except per share data):

	2016	2015	2014
Net income	$ 11,725	$ 47,704	$ 32,561
Shares:			
Basic weighted average shares outstanding	13,332	14,042	14,237
Dilutive effect of stock options and awards	130	174	210
Diluted weighted average shares outstanding	13,462	14,216	14,447
Earnings per share:			
Basic	$ 0.88	$ 3.40	$ 2.29
Diluted	$ 0.87	$ 3.36	$ 2.25

Comprehensive Income—Comprehensive 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 as presented in the Consolidated Statements of Stockholders' Equity for 2016, 2015, and 2014 consisted of the foreign currency translation adjustment and the unrealized loss, net of tax, on the Company's cash flow hedge, which expired in June 2015. See Note 9, *Derivative and Other Comprehensive Income.*

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. See Note 16, *Stock Incentive Plans*, for additional details.

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 Income. 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 Income. We recognized deferred compensation expense and investment income of $0.6 million in 2016, an immaterial amount in 2015, and $0.3 million in 2014. See Note 17, *Employee Benefit Programs*, for additional details.

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 income (loss). Gain or loss from foreign currency transactions is recognized in our Consolidated Statements of Income.

2. Recent Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued guidance on presentation and disclosure of restricted cash in the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016. The Company will adopt this guidance when required, beginning with its fiscal first quarter 2017, but does not expect this adoption to have a material effect on presentation in the consolidated statements of cash flows.

In August 2016, the FASB issued guidance on cash flow classification of certain cash receipts and cash payments. This guidance is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is evaluating the impact of this guidance but does not expect adoption of the guidance to have a material effect on presentation in the consolidated statements of cash flows.

In March 2016, the FASB issued guidance on stock-based compensation, which changes the accounting for, and classification of, excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification, and the classification of those taxes paid on the statement of cash flows. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016 with early adoption permitted. The Company will adopt this guidance on a prospective basis beginning with its fiscal first quarter 2017.

In February 2016, the FASB issued new guidance on accounting for leases. 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. This guidance is effective for annual and interim reporting periods beginning after December 15, 2018 using a modified retrospective adoption method. Early adoption is permitted. We are in the process of selecting a new lease management system and will transition to this system in 2017, which we expect will facilitate our adoption of the new guidance. The Company will adopt this guidance beginning with its fiscal first quarter 2019. We are evaluating the full impact this guidance will have on our consolidated financial statements, but the Company expect this adoption will result in a significant increase in the assets and liabilities on our consolidated balance sheet.

In May 2014, the FASB issued guidance, as amended by multiple updates, outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The guidance is effective for reporting periods beginning after December 15, 2017 with early adoption permitted. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. We have determined the new revenue recognition standard will not have an impact on our recognition of food and beverage sales from Company-owned restaurants or our recognition of royalty fees from franchisees. The Company does not expect the impact of recognizing initial franchise fees over the franchise agreement period and recognizing advertising upon adoption of this standard to have a material effect on our consolidated financial statements. The Company will adopt this guidance beginning with its fiscal first quarter 2018 and will apply the guidance retrospectively to each prior period presented.

3. Acquisitions of Red Robin Franchised Restaurants

The Company acquires franchised restaurants from time to time. OnMarch 21, 2016, the Company acquired 13 restaurants, including real estate at five of the locations, from one of its U.S. franchisees for a purchase price of$40.0 million in cash. During the fourth quarter of 2016, the Company finalized the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed as follows (in thousands):

	Fair Value at Acquisition Date
Property and equipment	18,762
Intangible assets	6,540
Deferred tax assets	3,473
Deferred tax liabilities	(2,783)
Goodwill	13,679
Other assets and liabilities, net	331
Total purchase price	40,002

Of the $18.8 million in property and equipment, $6.3 million is related to land. Of the $6.5 million of intangible assets, $5.6 million is related to reacquired franchise rights, which will be amortized on a straight-line basis over a weighted average of 15 years, and $0.9 million is related to acquired favorable leases.

On August 31, 2015, the Company acquired one restaurant from a franchisee for$2.5 million in cash. The fair value of the net assets acquired on the acquisition date primarily comprised building and land.

The pro forma impact of above acquisitions and the operating results of the acquired restaurants are not presented as the impact was not material to reported results.

The above acquisitions were accounted for using the purchase method as defined in ASC 805, *Business Combinations*. The goodwill arising from these acquisitions consists largely of the synergies and economies of scale expected from combining the acquired operations with the Company. The goodwill generated by the acquisitions is not amortizable for book purposes but is amortizable and deductible for tax purposes.

The fair value measurement of tangible and intangible assets and liabilities as of the acquisition date is based on significant inputs not observed in the market and thus represents a level 3 fair value measurement.

4. Asset Impairment and Restaurant Closures

Restaurant Impairment

During 2016, the Company determined that 19 Company-owned restaurants were impaired and recognized a non-cash impairment charge of $24.4 million. During 2015 and 2014, the Company impaired long-lived assets of two and three Company-owned restaurants, and recognized non-cash impairment charges of $0.6 million and $1.2 million.

The Company recognized the 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 combined 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.

In addition, the Company recognized a $0.8 million asset impairment charge due to the relocation of a restaurant during 2016. No impairments were recorded in 2015 or 2014 related to the relocation of restaurants.

Impairment of Software

During the fourth quarter of 2016, the Company determined certain software related to its Enterprise Resource Planning ("ERP") system would be obsolete upon migration to a cloud-based ERP system in 2017. The Company also determined certain software in development for supply chain management would not meet the Company's requirements if it were implemented. As a result, the Company recorded a $2.5 million impairment charge to write down the capitalized costs associated with this software.

No impairments related to software in development or use were recorded in 2015. During 2014, the Company determined certain software in development related to the supply chain and human resource management modules of an ERP system would not meet the Company's requirements if they were implemented. As a result, the Company recorded a $7.6 million impairment charge to write down the capitalized costs associated with the supply chain and human resource management system modules.

Restaurant Closures

During 2016, the Company closed nine Red Robin Burger Works restaurants, a smaller non-traditional prototype with a limited menu and limited service, that were underperforming relative to Company expectations and recognized $6.7 million of restaurant closure costs, which comprised $3.7 million in fixed asset disposal costs; $2.7 million in charges related to future lease obligations and contract termination costs; and immaterial termination benefits, inventory write off costs, and other closure-related costs.

During 2016, the Company closed two Red Robin restaurants at the end of their lease terms, closed one Red Robin restaurant and sold the property for an immaterial loss, and temporarily closed one Red Robin restaurant that is expected to reopen in 2017. During 2015, the Company closed one Red Robin restaurant at the end of its lease term. In 2014, the Company closed three Red Robin restaurants that were underperforming relative to Company expectations and temporarily closed one Red Robin restaurant due to public construction which reopened in 2015. The three restaurants permanently closed in 2014 had been impaired in 2013. The Company recorded immaterial restaurant closure expenses in 2015 and 2014.

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 Company allocates goodwill to disposed restaurants, if necessary. No goodwill was allocated to the restaurants that were closed in 2016, 2015, or 2014, because those restaurants did not have positive cash flow and consequently did not have positive fair value.

5. Property and Equipment

Property and equipment consist of the following at December 25, 2016 and December 27, 2015 (in thousands):

	2016	2015
Land	$ 41,266	$ 34,461
Buildings	107,435	86,229
Leasehold improvements	693,258	658,173
Furniture, fixtures and equipment	360,749	310,668
Restaurant property leased to others	—	4,554
Construction in progress	26,240	22,486
	1,228,948	1,116,571
Accumulated depreciation and amortization	(572,509)	(512,885)
Property and equipment, net	$ 656,439	$ 603,686

Depreciation and amortization expense on property and equipment, including assets under capital lease, was $81.6 million in 2016, $72.6 million in 2015, and $60.6 million in 2014.

6. Goodwill and Intangible Assets

The following table presents goodwill as of December 25, 2016 and December 27, 2015 (in thousands).

	2016	2015
Balance at beginning of year	$ 81,957	$ 84,115
Acquisition	13,679	295
Foreign currency translation adjustment	299	(2,453)
Balance at end of year	$ 95,935	$ 81,957

The Company recorded no goodwill impairment losses in the periods presented in the above table or any prior periods. During 2016, the Company acquired 13 restaurants from a franchisee and finalized the purchase price accounting during the fourth quarter of 2016. During 2015, the Company acquired one restaurant from a franchisee. Refer to Note 3, *Acquisitions of Red Robin Franchised Restaurants*, for details of the acquisitions.

The following table presents intangible assets as of December 25, 2016 and December 27, 2015 (in thousands):

	2016			2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Franchise rights	$ 55,902	$ (27,306)	$ 28,596	$ 50,878	$ (23,904)	$ 26,974
Leasehold interests	13,931	(7,400)	6,531	12,991	(6,643)	6,348
Liquor licenses	10,253	(9,857)	396	10,168	(9,751)	417
	$ 80,086	$ (44,563)	$ 35,523	$ 74,037	$ (40,298)	$ 33,739
Indefinite-lived intangible assets:						
Liquor licenses	$ 6,747	$ —	$ 6,747	$ 5,834	$ —	$ 5,834
Intangible assets, net	$ 86,833	$ (44,563)	$ 42,270	$ 79,871	$ (40,298)	$ 39,573

No impairment charges were recorded related to indefinite-lived intangibles in 2016, 2015, or 2014. There were immaterial impairments of franchise rights and liquor licenses related to the 19 restaurants impaired in 2016, and immaterial impairments of franchise rights and leasehold interests related to the three restaurants impaired in 2014, which are discussed in Note 4, *Asset Impairment and Restaurant Closures*. There were no other impairments of intangible assets subject to amortization in 2016, 2015, or 2014.

The aggregate amortization expense related to intangible assets subject to amortization for2016, 2015, and 2014 was $5.1 million, $4.7 million, and $3.9 million.

The estimated aggregate future amortization expense as of December 25, 2016 is as follows (in thousands):

2017	$	4,473
2018		4,262
2019		4,216
2020		3,695
2021		3,263
Thereafter		15,614
	$	35,523

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 25, 2016 and December 27, 2015 (in thousands):

	2016		2015	
Payroll and payroll-related taxes	$	17,009	$	16,539
Workers compensation insurance		6,907		7,095
Accrued vacation		5,736		5,085
Corporate and restaurant variable compensation		2,146		16,215
Other		2,905		2,653
	$	34,703	$	47,587

Accrued liabilities and other current liabilities consist of the following atDecember 25, 2016 and December 27, 2015 (in thousands):

	2016		2015	
State and city sales taxes	$	6,703	$	7,677
General liability insurance		5,667		4,854
Real estate, personal property, state income, and other taxes payable		3,579		3,091
Utilities		2,833		2,890
Other		10,723		11,098
	$	29,505	$	29,610

8. Borrowings

Borrowings as of December 25, 2016 and December 27, 2015 are summarized below (in thousands):

	2016			2015		
		Borrowings	Weighted Average Interest Rate		Borrowings	Weighted Average Interest Rate
Revolving credit facility and other long-term debt	$	336,375	2.65 %	$	202,875	1.82 %
Capital lease obligations		11,463	4.73 %		7,972	4.89 %
Total debt and capital lease obligations		347,838			210,847	
Less: Current portion		(658)			(531)	
Long-term debt and capital lease obligations	$	347,180		$	210,316	

Maturities of long-term debt and capital lease obligations as of December 25, 2016 are as follows (in thousands):

2017	$	658
2018		697
2019		739
2020		796
2021		336,391
Thereafter		8,557
	$	347,838

On June 30, 2016, the Company replaced its existing credit facility with a new credit facility (the “New Credit Facility”) with the same group of lenders which provided 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, and included 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 New 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 .50% and (c) LIBOR for an Interest Period of one month plus 1%). Borrowings under the New 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%).

The New Credit Facility matures on June 30, 2021. Borrowings under the New 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 25, 2016, the Company had outstanding borrowings under the New Credit Facility of $335.5 million, in addition to amounts issued under letters of credit of $8.8 million, which reduced the amount available under the credit facility but were not recorded as debt.

Loan origination costs associated with New Credit Facility were $1.1 million and 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 $2.3 million and $1.7 million as of December 25, 2016 and December 27, 2015.

The Company is subject to a number of customary covenants under its New 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 25, 2016.

9. Derivative and Other Comprehensive Income

From time to time, the Company enters into derivative instruments for risk management purposes only, including a derivative designated as a cash flow hedge under guidance for derivative instruments and hedging activities. The Company uses interest rate-related derivative instruments to manage the exposure to fluctuations in interest rates. By using these instruments, the Company exposes itself, from time to time, to both credit and market risk. Credit risk is the failure of either party to the contract to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, creating credit risk for the Company. The Company minimizes credit risk by entering into transactions with high-quality counterparties whose credit ratings are evaluated on a quarterly basis. Market risk, as it relates to the Company’s interest-rate derivative, is the adverse effect on the value of a financial instrument resulting from changes in interest rates. The Company minimizes market risk by establishing and monitoring parameters that limit the types and degree of market risk that the Company accepts.

The Company had no active derivative financial instruments at December 25, 2016 or December 27, 2015. The Company had one interest rate swap that was highly effective during 2015 until it matured on June 30, 2015. The loss on the interest rate swap designated as a cash flow hedge recognized in other comprehensive loss and reclassifications from Accumulated other comprehensive loss to earnings during 2015 were immaterial.

10. 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 quoted 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 receivables, and accounts payables 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 17, *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 and liabilities measured at fair value on a recurring basis as ofDecember 25, 2016 and December 27, 2015 (in thousands):

	December 25, 2016	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	$ 9,165	$ 9,165	$ —	$ —
Total assets measured at fair value	$ 9,165	$ 9,165	$ —	$ —

	December 27, 2015	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	$ 6,863	$ 6,863	$ —	$ —
Total assets measured at fair value	$ 6,863	$ 6,863	$ —	$ —

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.

Other than as disclosed in Note 3, *Acquisitions of Red Robin Franchised Restaurants*, and Note 4, *Asset Impairment and Restaurant Closures*, as of December 25, 2016 and December 27, 2015, the Company had no non-financial assets or liabilities that were measured using level 3 inputs.

Disclosures of Fair Value of Other Assets and Liabilities

The Company's liabilities under its credit facility and capital leases are carried at historical cost in the accompanying Consolidated Balance Sheets. For disclosure purposes, the Company estimated the fair value of the credit facility and capital lease obligations using discounted cash flow analysis based on market rates obtained from independent third parties for similar types of debt. Both the credit facility and the Company's capital lease obligations are considered to be Level 2 instruments. The following table presents the carrying value and estimated fair value of Company's credit facility and capital lease obligations as ofDecember 25, 2016 and December 27, 2015 (in thousands):

	December 25, 2016		December 27, 2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Credit facility	$ 335,500	$ 335,611	$ 202,000	$ 201,829
Capital lease obligations	11,463	12,917	7,972	9,177
Total	$ 346,963	$ 348,528	$ 209,972	$ 211,006

11. Supplemental Disclosures to Consolidated Statements of Cash Flows

(In thousands)	2016	2015	2014
Cash paid during the year for:			
Income taxes	$ 4,651	$ 14,346	$ 12,827
Interest, net of amounts capitalized	6,462	3,754	3,370
Non-cash investing and financing activities:			
Change in construction related payables	(15,830)	13,040	970
Capital lease obligations incurred for real estate and equipment purchases	4,133	—	—

12. Income Taxes

Income before income taxes includes the following components for the fiscal years endedDecember 25, 2016, December 27, 2015, and December 28, 2014 (in thousands):

	2016	2015	2014
U.S.	$ 7,806	$ 64,668	$ 42,898
Foreign	(3,018)	(1,432)	(1,039)
	$ 4,788	$ 63,236	$ 41,859

The provision (benefit) for income taxes for the fiscal years endedDecember 25, 2016, December 27, 2015, and December 28, 2014 consist of the following (in thousands):

	2016	2015	2014
Current:			
Federal	$ 2,503	$ 6,427	$ 5,169
State	2,078	4,455	3,895
Foreign	—	—	—
Deferred:			
Federal	(9,407)	4,013	1,146
State	(2,300)	(1)	(649)
Foreign	189	638	(263)
	$ (6,937)	$ 15,532	$ 9,298

The reconciliation between the income tax provision and the amount of income tax computed by applying the U.S. federal statutory rate to income before the provision for income taxes as shown in the accompanying Consolidated Statements of Income for fiscal years ended December 25, 2016, December 27, 2015, and December 28, 2014 is as follows:

	2016	2015	2014
Tax provision at U.S. federal statutory rate	35.0 %	35.0 %	35.0 %
State income taxes	(3.0)	4.3	5.1
FICA tip tax credits	(183.8)	(12.8)	(16.0)
Foreign taxes versus U.S statutory rate	6.7	0.3	(0.1)
Valuation allowance on deferred income tax assets	19.3	1.5	—
Other tax credits	(27.7)	(3.6)	(2.3)
Meals and entertainment	6.6	0.6	0.6
Other	2.0	(0.7)	(0.1)
Effective tax rate	(144.9)%	24.6 %	22.2 %

The decrease in the Company's effective tax rate in2016 is primarily attributable to decrease in earnings before income tax as well as an increase in the FICA tip tax credit. The increase in the Company's effective tax rate in 2015 from 2014 was primarily attributable to the increase in earnings partially offset by an increase in the FICA tip tax credit.

The Company's federal and state deferred taxes at December 25, 2016 and December 27, 2015 are as follows (in thousands):

	2016	2015
Deferred tax assets and (liabilities), net:		
Deferred rent	20,039	17,978
Stock-based compensation	7,500	6,980
General business and other tax credits	13,982	3,275
Alternative minimum tax credits	1,241	1,262
Accrued compensation and related costs	9,431	11,862
Advanced payments	3,809	3,024
Other non-current deferred tax assets	4,696	4,277
Other non-current deferred tax liabilities	(2,790)	(1,181)
Goodwill	(12,004)	(9,572)
Property and equipment	(16,459)	(24,792)
Franchise rights	(840)	744
Prepaid expenses	(6,046)	(4,736)
Supplies inventory	(7,495)	(7,089)
Subtotal	15,064	2,032
Valuation Allowance	(2,323)	(1,910)
Net deferred tax asset (liability)	12,741	122
Non-current deferred tax asset	13,206	397
Non-current deferred tax liability	(465)	(275)
Total	12,741	122

Realization of net deferred tax assets is dependent upon profitable operations and future reversals of existing taxable temporary differences. Based on the Company's evaluation of its deferred tax assets, as of December 25, 2016, a valuation allowance of approximately $2.3 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. 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.

The Company has federal alternative minimum tax credits of $1.2 million available with no expiration date. The Company also has general business and other tax credits totaling $14.0 million available to offset future taxes which expire through 2036.

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 2011 through 2016 tax years.

The following table summarizes the Company's unrecognized tax benefits at December 25, 2016 and December 27, 2015 (in thousands):

	2016	2015
Beginning of year	$ 228	$ 319
Increase due to current year tax positions	—	57
Due to decrease to a position taken in a prior year	—	(100)
Settlements	(12)	—
Reductions related to lapses	(46)	(48)
End of year	$ 170	$ 228

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is approximately $0.2 million. The Company does not anticipate significant changes in the aggregate amount of unrecognized tax benefits within the next twelve months, other than nominal tax settlements.

The Company's policy for recording interest and penalties associated with audits is to record such items 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 in the Consolidated Statements of Income. The Company recorded nominal interest expense on the identified tax liabilities in 2016, 2015, and 2014, and no penalties were recorded in those fiscal years.

13. Commitments and Contingencies

Commitments

Leasing Activities—The Company leases land, buildings, and equipment used in its operations under operating leases. The Company's operating leases have remaining non-cancelable terms ranging from less than one year to more than 15 years. These leases generally contain renewal options which permit the Company to renew the leases at defined contractual rates or prevailing market rates. Certain equipment leases also include options to purchase equipment at the end of the lease term. Certain leases provide for contingent rents, which are determined as a percentage of adjusted restaurant sales in excess of specified levels. The Company records a contingent rent liability and the corresponding rent expense when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable. Certain lease agreements also require the Company to pay maintenance, insurance, and property tax costs. Rental expense related to land, building, and equipment leases for the fiscal years ended December 25, 2016, December 27, 2015, and December 28, 2014 are as follows (in thousands):

	2016	2015	2014
Minimum rent	$ 73,605	$ 67,078	$ 58,083
Contingent rent	1,676	2,264	2,239
Equipment rent under operating leases	1,052	791	895
	$ 76,333	$ 70,133	$ 61,217

Prior to 2016, the Company leased certain of its owned land, buildings, and equipment to outside parties under non-cancelable operating leases. Rental income was immaterial for 2016, 2015, and 2014.

Future minimum lease commitments under all leases as of December 25, 2016 are as follows (in thousands):

	Capital Leases	Operating Leases
2017	$ 1,183	$ 73,496
2018	1,183	70,903
2019	1,183	65,897
2020	1,196	61,110
2021	1,240	54,872
Thereafter	9,635	232,053
Total	15,620	$ 558,331
Less amount representing interest	(4,157)	
Present value of future minimum lease payments	11,463	
Less current portion	(658)	
Long-term capital lease obligations	$ 10,805	

Future minimum rental income is immaterial. At the end of 2016 and 2015, property and equipment included $29.3 million and $19.0 million of assets under capital lease, and $10.5 million and $9.1 million of related accumulated depreciation.

Contingencies

In the normal course of business, there are various claims in process, matters in litigation, and other contingencies. These include claims resulting from "slip and fall" accidents, 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 and year end 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 other suits, legal proceedings, and claims with certainty, management is of the opinion that adequate provision for potential losses associated with these other matters has been made in the consolidated financial statements. During 2016, the Company recorded $3.9 million of litigation contingencies for employment-related claims. The Company had $2.0 million and $0.1 million of liabilities recorded for various legal contingencies as ofDecember 25, 2016 and December 27, 2015.

14. Franchise Operations

Results of franchise operations included in the Consolidated Statements of Income for the fiscal years ended December 25, 2016, December 27, 2015, and December 28, 2014 consist of the following (in thousands):

	2016		2015		2014	
Franchise royalties and fees:						
Royalty income	$	11,196	$	12,478	$	13,540
Franchise fees		13		48		97
Total franchise royalties and fees	$	11,209	$	12,526	$	13,637

The Company provides management expertise, training, pre-opening assistance, and restaurant operating assistance in exchange for area development fees, franchise fees, license fees, and royalties of 4% of the franchised restaurant sales pursuant to the franchise agreements. Franchise fee revenue is recognized when all material obligations and initial services to be provided by the Company have been performed, generally upon the opening of the new restaurant. Until earned, these fees are accounted for as deferred revenue. Area development fees are dependent upon the number of restaurants in the territory as well as the Company's obligations under the area franchise agreement. Consequently, as the Company's obligations are met, area development fees are recognized proportionately with the opening of each new restaurant. Royalties are accrued as earned and are calculated each period based on the franchisee's reported adjusted sales.

15. Stockholders' Equity

On February 11, 2016, the Company's board of directors re-authorized the Company's share repurchase program and approved the repurchase of up to $100 million of the Company's common stock. This authorization became effective on February 11, 2016, and will terminate upon completing the repurchase of $100 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 2016, the Company purchased 940,034 shares with an average purchase price of $49.02 per share for a total of $46.1 million.

On February 11, 2015, the Company's board of directors authorized a repurchase of up to $50 million of the Company's common stock. In 2015, the Company purchased 556,049 shares under this authorization, with an average purchase price of $71.93 per share for a total of $40.0 million.

On November 15, 2012, the Company's board of directors authorized a repurchase of up to $50 million of the Company's common stock. In 2014, the Company purchased 463,780 shares under this authorization, with an average purchase price of $57.97 per share for a total of $26.9 million.

16. Stock Incentive Plans

In 2007, the Company's stockholders approved the 2007 Performance Incentive Plan which was amended and restated in 2008 and 2011 (the "2007 Stock Plan"). The 2007 Stock Plan authorizes the issuance of stock options, stock appreciation rights (SARs), restricted stock, stock variable compensation and 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 pursuant to the plan. Persons eligible to receive awards under the 2007 Stock Plan include officers and employees of the Company and any of the Company's subsidiaries, directors of the Company, and certain consultants and advisors to the Company or any of its subsidiaries. The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2007 Stock Plan is 2,074,600 shares. Vesting of the awards under the 2007 Stock Plan is determined at the date of grant by the plan administrator. Each award granted under the 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 of the Company, 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. The 2007 Stock Plan terminates on April 4, 2021, unless terminated earlier by the Company's board of directors. As of December 25, 2016, options to acquire a total of 408,445 shares of the Company's common stock remained outstanding under this plan of which 196,724 were vested. As of December 25, 2016, no options to acquire the Company's common stock remained outstanding under any previous stock incentive plans.

Total stock-based compensation costs recognized in 2016, 2015, and 2014 were $4.5 million, $4.7 million, and $4.2 million, with related income tax benefits of $0.4 million, $2.0 million, and $1.7 million. As of December 25, 2016, there was $4.3 million of total unrecognized compensation cost, excluding estimated forfeitures, which is expected to be recognized over the weighted average remaining vesting period of approximately 1.4 years for stock options and 1.1 years for the restricted stock units. As of December 25, 2016, all performance-based stock units and restricted stocks were vested.

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 27, 2015	395	$ 46.04
Granted	160	60.57
Forfeited/expired	(54)	65.23
Exercised	(93)	25.82
Outstanding, December 25, 2016	408	$ 53.82

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Years of Contractual Life	Aggregate Intrinsic Value
Outstanding as of December 25, 2016	408	$ 53.82	6.89	$ 3,922
Vested and expected to vest as of December 25, 2016[(1)]	383	$ 53.26	6.74	$ 3,865
Exercisable as of December 25, 2016	197	$ 42.86	5.01	$ 3,472

(1) The expected to vest options are the result of applying the pre-vesting forfeiture rate assumption to total outstanding options.

The estimated fair value of each option granted is calculated using the Black-Scholes multiple option-pricing model. The average assumptions used in the model for the fiscal years ended December 25, 2016, December 27, 2015, and December 28, 2014 were as follows:

	2016	2015	2014
Risk-free interest rate	1.2 %	1.4 %	1.7 %
Expected years until exercise	4.5	4.8	5.7
Expected stock volatility	39.0 %	40.6 %	44.6 %
Dividend yield	— %	— %	— %
Weighted average Black-Scholes fair value per share at date of grant	$ 20.45	$ 29.71	$ 30.70
Total intrinsic value of options exercised (in thousands)	$ 2,624	$ 4,414	$ 3,954

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 2016, 2015, and 2014, the Company issued time-based restricted stock units (RSUs) to certain employees as permitted under the 2007 Stock Plan. 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 granted in 2014 vest in equal installments over three years, while RSUs granted in 2015 and 2016 vest in full on the one-year anniversary date of grant date. 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 2007 Stock Plan (shares in thousands):

	Restricted Stock Units	
	Shares	**Weighted Average Grant-Date Fair Value (per share)**
Outstanding, December 27, 2015	75	$ 67.74
Awarded	60	57.08
Forfeited	(15)	69.14
Vested	(38)	64.65
Outstanding, December 25, 2016	82	$ 61.16

Long-Term Cash Incentive Plan

In 2011, the Company began a long-term cash incentive program. The long-term cash incentive plan is based on operational metrics with a 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 2016, the Company reversed $2.3 million of its long-term cash incentive plan liability upon determining that certain performance metrics were not probable of being achieved. In 2015 and 2014, the Company recorded $3.3 million and $0.8 million compensation expenses related to this program.

In 2016, the Company paid out $3.4 million cash awards related to achievement of the performance metrics of the 2013 long-term cash incentive plan. In 2015, the Company paid out $1.8 million cash awards related to achievement of the performance metrics of the 2012 long-term cash incentive plan. In 2014, the Company paid out $2.4 million cash awards related to achievement of the performance metrics of the 2011 long-term cash incentive plan. At December 25, 2016 and December 27, 2015, a $0.7 million and $6.3 million long-term cash incentive plan liability was included in Accrued payroll and payroll-related liabilities in the accompanying Consolidated Balance Sheets.

17. Employee Benefit Programs

Employee Deferred Compensation Plan—In 2003, the Company adopted a deferred compensation plan that permits key employees and other members of management not eligible to participate in the Employee Defined Contribution Plan to defer portions of their compensation. 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. The Company may make matching contributions in an amount determined by the board of directors. In 2016, the board of directors authorized matching contributions equal to 50% of the first 4% of compensation that is deferred by the participant, an increase from the previous matching contributions equal to 25% of the first 4% of compensation deferred by the participant. The Company recognized an immaterial matching contribution expense in 2016, 2015, and 2014.

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 10, *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 Income. 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 Income. The Company recognized deferred compensation expense of $0.6 million in 2016, an immaterial amount in 2015, and $0.3 million in 2014. As of December 25, 2016 and December 27, 2015, $9.2 million and $6.9 million of deferred compensation assets is included in Other assets, net and $9.2 million and $6.9 million of deferred compensation plan liability is included in Other non-current liabilities in the accompanying Consolidated Balance Sheets.

Employee Stock Purchase Plan—In 2002, the Company adopted an Employee Stock Purchase Plan under which 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. A total of 300,000 shares of common stock are available for issuance under this plan. The Company has issued a total of 269,416 shares under this plan, including 17,485 shares that were issued in 2016. A total of 30,584 shares remain available for future issuance.

For 2016, 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 a 0.55% risk-free interest rate; 0.5 year expected life; expected volatility of 37.64%; and a 0% dividend yield. The weighted average fair value per share at grant date was $9.29. For 2015, the average assumptions used in the model included a 0.46% risk-free interest rate, 0.5 year expected life, expected volatility of 39.73%, and a 0% dividend yield. The weighted average fair value per share at grant date was $13.37. The Company recognized $0.2 million of compensation expense related to this plan in each of fiscal years 2016, 2015, and 2014.

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 2016, the board of directors authorized matching contributions equal to 50% of the first 4% of compensation that is deferred by the participant, an increase from the Company's previous matching contributions equal to 25% of the first 4% of compensation deferred by the participant. The Company recognized matching contribution expense of $0.6 million in 2016, $0.3 million in 2015, and $0.3 million in 2014.

18. Quarterly Results of Operations (unaudited)

The following tables summarize the unaudited consolidated quarterly financial information for fiscal years 2016 and 2015 (in thousands, except per share data):

2016	**Q1(1) (16 weeks)**	**Q2 (2) (12 weeks)**	**Q3 (3) (12 weeks)**	**Q4 (4) (12 weeks)**	**2016 (52 weeks)**
Total revenues	$ 402,126	$ 305,549	$ 297,307	$ 291,459	$ 1,296,441
Income (loss) from operations	$ 20,175	$ 10,415	$ (4,235)	$ (14,785)	$ 11,570
Net income (loss)	$ 14,225	$ 7,552	$ (1,300)	$ (8,752)	$ 11,725
Basic earnings (loss) per share	$ 1.04	$ 0.56	$ (0.10)	$ (0.68)	$ 0.88
Diluted earnings (loss) per share	$ 1.03	$ 0.55	$ (0.10)	$ (0.68)	$ 0.87

2015	**Q1 (16 weeks)**	**Q2 (12 weeks)**	**Q3 (12 weeks)**	**Q4 (5) (12 weeks)**	**2015 (52 weeks)**
Total revenues	$ 394,901	$ 292,979	$ 283,412	$ 286,300	$ 1,257,592
Income from operations	$ 23,845	$ 16,480	$ 11,705	$ 15,015	$ 67,045
Net income	$ 16,565	$ 11,166	$ 8,282	$ 11,691	$ 47,704
Basic earnings per share	$ 1.18	$ 0.79	$ 0.59	$ 0.85	$ 3.40
Diluted earnings per share	$ 1.16	$ 0.78	$ 0.58	$ 0.84	$ 3.36

(1) During the first quarter of 2016, the Company recognized a pre-tax non-cash impairment charge of $0.8 million due to the relocation of a restaurant.

(2) During the second quarter of 2016, six Company-owned restaurants were impaired. The Company recognized a pre-tax non-cash impairment charge of $3.9 million for these restaurants.

(3) During the third quarter of 2016, two Company-owned restaurants were impaired. The Company recognized a pre-tax non-cash impairment charge of $3.8 million for these restaurants. The Company also recorded $5.5 million in restaurant closure costs related to the closure of nine Red Robin Burger Works restaurants.

(4) During the fourth quarter of 2016, sixteen Company-owned restaurants, including five restaurants previously impaired during 2016, were impaired. In addition, the Company determined that certain software related to the Company's ERP system and software in development for supply chain management were impaired. The Company recognized a pre-tax non-cash impairment charge of $19.3 million for these restaurants and software. During the fourth quarter of 2016, the Company also recorded $1.2 million in additional restaurant closure costs related to the Burger Works closures in the third quarter of 2016.

(5) During the fourth quarter of 2015, two Company-owned restaurants were impaired. The Company recognized a pre-tax non-cash impairment charge of $0.6 million for these restaurants.

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.

During the first quarter of 2016, the Company implemented a new human resources and payroll system, which resulted in changes to certain of the Company's processes and procedures for internal control over financial reporting. The Company has conducted pre-implementation and post-implementation monitoring and testing to ensure the effectiveness of internal controls 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 25, 2016. 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 25, 2016, 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

The Board of Directors and Stockholders of
Red Robin Gourmet Burgers, Inc.:

We have audited Red Robin Gourmet Burgers, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 25, 2016, based on criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

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.

In our opinion, Red Robin Gourmet Burgers, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 25, 2016, based on criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 25, 2016 and December 27, 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and our report dated February 21, 2017 expressed and unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado
February 21, 2017

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 2017 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 2017 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 2017 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 2017 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 2017 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 "Index to 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.
(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.
(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).
(10.1)*	Red Robin Gourmet Burgers, Inc. 2004 Performance Incentive Plan. Incorporated by reference to Exhibit 10.17 to our Annual Report on Form 10-K filed on April 6, 2005.
(10.2)*	Form of Red Robin Gourmet Burgers, Inc. 2004 Performance Incentive Plan Incentive Stock Option Agreement. Incorporated by reference to Exhibit 10.12 to our Quarterly Report on Form 10-Q filed on November 4, 2005.
(10.3)*	Form of Red Robin Gourmet Burgers, Inc. 2004 Performance Incentive Plan Nonqualified Stock Option Agreement. Incorporated by reference to Exhibit 10.11 to our Quarterly Report on Form 10-Q filed on November 4, 2005.
(10.4)*	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.
(10.5)*	Form of Red Robin Gourmet Burgers, Inc. 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.
(10.6)*	Form of Red Robin Gourmet Burgers, Inc. 2007 Performance Incentive Plan Restricted Stock Award Agreement. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 22, 2009.
(10.7)*	Form of Red Robin Gourmet Burgers, Inc. 2007 Performance Incentive Plan Restricted Stock Unit Award Agreement. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 22, 2009.
(10.8)*	Form of Red Robin Gourmet Burgers, Inc. 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.
(10.9)*	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 Form 10-Q filed on August 13, 2010.

Exhibit Number	Description
(10.10)*	Form of Red Robin Gourmet Burgers, Inc. 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.
(10.11)*	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.
(10.12)*	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 Current Report on Form 8-K filed on May 23, 2014.
(10.13)*	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 10.1 to our Current Report on Form 8-K filed on May 23, 2014.
(10.14)*	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).
(10.15)*	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.
(10.16)*	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.
(10.17)*	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.
(10.18)*	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.
(10.19)*	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).
(10.20)*	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.
(10.21)*	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.
(10.22)*	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Denny Marie Post, dated August 1, 2011. Incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q filed on August 12, 2011.
(10.23)*	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Michael L. Kaplan, dated September 30, 2013. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on form 10-Q filed on November 8, 2013.
(10.24)	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.
(10.25)	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.
(10.26)	Credit Agreement, dated July 2, 2014. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 10, 2014.
(10.27)	First Amendment to Credit Agreement, dated as of December 21, 2015. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 23, 2015.

Exhibit Number	Description
(10.28)	Security Agreement, dated July 2, 2014. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on July 10, 2014.
(10.29)*	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.
(10.30)*	Amendment to Employment Agreement by and between Red Robin Gourmet Burgers, Inc., and Jonathan A. Muhtar, dated March 31, 2016. Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 18, 2016.
(10.31)	Second Amendment to Credit Agreement, dated March 11, 2016. Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 18, 2016.
(10.32)	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.
(10.33)	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.
(10.34)*	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.
(10.35)*	Amended and Restated Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Denny Marie Post, dated August 8, 2016. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 8, 2016.
10.36*	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Carin L. Stutz, dated April 29, 2016.
10.37*	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Guy J. Constant, dated December 13, 2016.
(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.
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
23.2	Consent of Deloitte & Touche 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.

Exhibit Number	Description
101	The following financial information from the Annual Report on Form 10-K of Red Robin Gourmet Burgers, Inc. for the year ended December 25, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 25, 2016 and December 27, 2015; (ii) Consolidated Statements of Income for the years ended December 25, 2016, December 27, 2015, and December 28, 2014; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 25, 2016, December 27, 2015, and December 28, 2014; (iv) Consolidated Statements of Cash Flows for the years ended December 25, 2016, December 27, 2015, and December 28, 2014; 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.

Table of Contents

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 21, 2017	By:	/s/ DENNY MARIE POST
(Date)		Denny Marie Post *(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/ DENNY MARIE POST Denny Marie Post	Chief Executive Officer (Principal Executive Officer and Director)	February 21, 2017
/s/ GUY J. CONSTANT Guy J. Constant	Chief Financial Officer (Principal Financial Officer)	February 21, 2017
/s/ TERRY D. HARRYMAN Terry D. Harryman	Chief Accounting Officer (Principal Accounting Officer)	February 21, 2017
/s/ PATTYE L. MOORE Pattye L. Moore	Chairperson of the Board	February 21, 2017
/s/ ROBERT B. AIKEN Robert B. Aiken	Director	February 21, 2017
/s/ CAMMIE W. DUNAWAY Cammie W. Dunaway	Director	February 21, 2017
/s/ LLOYD L. HILL Lloyd L. Hill	Director	February 21, 2017
/s/ RICHARD J. HOWELL Richard J. Howell	Director	February 21, 2017
/s/ GLENN B. KAUFMAN Glenn B. Kaufman	Director	February 21, 2017
/s/ STUART I. ORAN Stuart I. Oran	Director	February 21, 2017
/s/ KALEN F. HOLMES Kalen F. Holmes	Director	February 21, 2017
/s/ STEVEN K. LUMPKIN Steven K. Lumpkin	Director	February 21, 2017

QuickLinks

Exhibit 10.36

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made as of this _____ day of April, 2016, by and between RED ROBIN GOURMET BURGERS, INC., a Delaware corporation (the "Company"), and Carin Stutz ("Executive").

RECITAL

WHEREAS, the parties desire to enter into this Agreement setting forth the terms and conditions for the employment relationship between Executive and the Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and Executive hereby agree as follows:

AGREEMENT

1. Employment Period. The Company, through its wholly-owned subsidiary, Red Robin International, Inc., a Nevada corporation ("RRI"), hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions hereinafter set forth. The term of Executive's employment hereunder shall be deemed to have commenced on May 16, 2016 (the "Effective Date"), and shall continue indefinitely, subject to termination as provided herein (such term being referred to herein as the "Employment Period"). Executive and the Company acknowledge that, except as may otherwise be provided by this Agreement or under any other written agreement between Executive and the Company, the employment of Executive by the Company and RRI is "at will" and Executive's employment may be terminated by either Executive or the Company at any time for any reason, or no reason. RRI shall be the "employer" for tax, legal reporting, payroll processing and similar purposes.

2. Position and Duties.

(a) During the Employment Period, Executive shall be employed as and hold the title of Executive Vice President and Chief Operating Officer ("Chief Operating Officer") of the Company, with such duties and responsibilities that are customary for public company chief operating officer positions. In addition, the Chief Executive Officer or President may assign Executive such duties and responsibilities that are not substantially inconsistent with her position as Chief Operating Officer of the Company.

(b) During the Employment Period, Executive shall devote substantially all of her skill, knowledge and working time to the business and affairs of the Company and its subsidiaries; provided that in no event shall this sentence prohibit Executive from performing personal and charitable activities and any other activities approved by the Board, so long as such activities do not materially and adversely interfere with Executive's duties for the Company and are in compliance with the Company's policies. Executive shall perform her services at the Company's headquarters, presently located in Greenwood Village, Colorado. Executive shall use her best efforts to carry out her responsibilities under this Agreement faithfully and efficiently.

3. Compensation.

(a) Base Salary. During the Employment Period, Executive shall receive from the Company an annual base salary ("Annual Base Salary") at the rate of $400,000.00, with such salary to be adjusted at such times, if any, and in such amounts as recommended by the President and approved by the Compensation Committee of the Board of Directors (the "Compensation Committee"). Executive's Annual Base Salary shall be subject to annual review by the President and the Compensation Committee during the Employment Term. The Company shall pay the Annual Base Salary to Executive in accordance with the Company's and RRI's normal payroll policy.

(b) Annual Incentive Compensation. In addition to the Annual Base Salary, Executive is eligible to receive an annual cash bonus each fiscal year during the Employment Period as determined in accordance with the Company's annual incentive plan and as approved by the Compensation Committee (the "Annual Bonus"). Through the 2017 fiscal year, the Annual Bonus shall be targeted at up to 70% of Executive's Annual Base Salary. Such target will be subject to adjustment by the Compensation Committee in fiscal year 2018 and later. The actual amount of any Annual Bonus shall depend on the level of achievement of the applicable performance criteria established with respect to the Annual Bonus by the Board and the Compensation Committee in their sole discretion. Notwithstanding the foregoing, Executive shall be entitled to a guaranteed Annual Bonus for the 2016 fiscal year in the amount of $172,308, which is calculated by prorating Executive's 2016 target Annual Bonus for the number of days of service during the fiscal year, and such amount shall be paid to Executive in the first quarter of fiscal 2017.

(c) Long-Term Incentive Awards. On the Effective Date, or as soon thereafter as is administratively practicable (the "Grant Date"), Executive will receive equity awards pursuant to the Company's Second Amended and Restated 2007 Performance Incentive Plan (the "Plan") as follows (the "Sign-On Equity Awards"): time-vested restricted stock units having a grant date target value of $137,500, and time-vested non-qualified stock options having a grant date target value of $137,500. Each equity award shall vest in equal 1/3rd incremements on the first, second, and third anniversaries of the Grant Date, and shall be subject to such other terms and conditions as are set forth in the Company's standard award agreement for the applicable type of award. For the 2017 fiscal year, Executive's long-term incentive grant shall be intended to have a grant date value equal to 100% of Annual Base Salary, and will consist of the same types of awards (currently restricted stock units (20%), non-qualified stock options (40%), and long-term cash awards (40%)) and in the same proportions as 2016 grants to all other members of the Company's senior executive team. For subsequent fiscal years, Executive shall be entitled to participate in such annual long-term incentive awards as may be approved by the Board or the Compensation Committee from time to time in accordance with the Company's compensation plans.

(d) Other Benefits.

(i) Welfare and Benefit Plans. During the Employment Period: (A) Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs of the Company and RRI to the same extent as other senior executive employees, including, among other things, participation in the Company's Non-Qualified Deferred Compensation Plan; and (B) Executive and/or Executive's family, as the case may be, shall be eligible to participate in, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs provided by the Company and RRI (including, to the extent provided, without limitation, medical, prescription, dental, disability, salary continuance, employee life insurance, group life insurance, accidental death and travel accident insurance plans and programs) to the same extent as other senior executive employees.

(ii) Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable travel and other expenses incurred by Executive in carrying out Executive's duties under this Agreement, provided that Executive complies with the policies, practices and procedures of the Company and RRI for submission of expense reports, receipts or similar documentation of the incurrence and purpose of such expenses (collectively referred to herein as "Expense Policies").

(iii) Paid Time Off. Executive shall be entitled to holidays and paid time off in accordance with the Company's holiday and paid time off policies applicable to executive officers as in effect from time to time.

(iv) Car Allowance. During the Employment Period, Executive shall be paid a monthly car allowance in the gross amount of $850.00.

(v) Moving and Relocation Expenses. It is expected that Executive shall reside permanently in the Denver, Colorado metropolitan area during the Employment Period. Employer will pay on Executive's behalf up to $95,000 of relocation expenses in accordance with the applicable Company relocation benefits policy in effect as of the Effective Date (which maximum amount includes all direct relocation costs as well as all ancillary payments, benefits and tax assistance) ("Relocation Expenses"). If Executive terminates her employment without Good Reason or is terminated by the Company for Cause within twenty-four (24) months of the Effective Date, Executive shall have an obligation to repay to the Company all or a portion of the Relocation Expenses pursuant to the terms of the "Relocation and Repayment Agreement" that Executive will be required to sign under the applicable Company relocation benefits policy.

(e) Reservation of Rights. The Company reserves the right to modify, suspend or discontinue any and all of the employee benefit plans, practices, policies and programs referenced in subsections (e)(i), (ii) and (iii) above at any time without recourse by Executive so long as such action is taken with respect to senior executives generally and does not single out Executive.

4. Termination.

(a) Death or Disability. Executive's employment and all associated rights and benefits shall terminate automatically upon Executive's death. If the Company determines in good faith that the Disability of Executive has occurred, it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by Executive, provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of her duties.

(b) Cause. The Company may terminate Executive's employment at any time for Cause.

(c) By the Company without Cause. The Company may terminate Executive's employment at any time without Cause.

(d) By Executive for Good Reason. Executive may terminate her employment at any time for Good Reason subject to the notice and cure provisions set forth in the definition thereof.

(e) Change in Control. Executive's employment may be terminated within twenty-four (24) months following a Change in Control Event by the Company without Cause or by Executive for Good Reason.

(f) Obligations of the Company Upon Termination.

(i) Death; Disability; For Cause; Resignation without Good Reason. If Executive's employment is terminated by reason of Executive's Death or Disability or by the Company for Cause or Executive resigns without Good Reason, this Agreement shall terminate without further obligations to Executive or her legal representatives under this Agreement, other than for (A) payment of the sum of Executive's Annual Base Salary through the date of termination to the extent not theretofore paid ("Accrued Obligation"), which Accrued Obligation shall be paid to Executive or her estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the effective date of termination or such earlier date as may be required by law; and (B) payment to Executive or her estate or beneficiary, as applicable, of any amounts due pursuant to the terms of any applicable employee benefit plans.

(ii) By the Company without Cause or by Executive for Good Reason. If, prior to the expiration of the stated term of this Agreement, the Company terminates Executive's employment for any reason other than for Cause or Executive terminates her employment for Good Reason, this Agreement shall terminate without further obligations to Executive other than:

(A) payment of the Accrued Obligation through the effective date of termination in a lump sum in cash within 30 days of the effective date of termination or such earlier date as may be required by law;

(B) payment of the equivalent of twelve (12) months of Executive's Annual Base Salary as in effect immediately prior to the date of termination in a lump sum in cash within 60 days of the effective date of termination, subject to standard withholdings and other authorized deductions;

provided, however, that as conditions precedent to receiving the payments and benefits provided for in this Section 4(f)(ii) (other than payment of the Accrued Obligation), Executive shall first execute and deliver to the Company and RRI a general release agreement in a form that is satisfactory to the Company and RRI, and all rights of Executive thereunder or under applicable law to rescind or revoke the release shall have expired no later than the 60 days after the date of termination. If Executive fails to timely execute the general release, all payments and benefits set forth in this Section 4(f)(ii) (other than the payment of the Accrued Obligation) shall be forfeited.

(iii) Exclusive Remedy. Executive agrees that the payments contemplated by this Section 4(f) shall constitute the exclusive and sole remedy for any termination of her employment, and Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment; provided, however, that nothing contained in this Section 4(f)(iii) shall prevent Executive from otherwise challenging in a subsequent arbitration proceeding a determination by the Company that it was entitled to terminate Executive's employment hereunder for Cause.

(iv) Termination of Payments. Anything in this Agreement to the contrary notwithstanding, the Company shall have the right to terminate all payments and benefits owing to Executive pursuant to this Section 4(f) upon the Company's discovery of any breach by Executive of her obligations under the general release or Sections 5, 6, 7 and 8 of this Agreement.

(g) Survival of Certain Obligations Following Termination. Notwithstanding any other provision contained in this Agreement, the provisions in Sections 5 through 11 and 14 through 21 of this Agreement shall survive any termination of Executive's employment hereunder (but shall be subject to Executive's right to receive the payments and benefits provided under this Section 4).

5. Confidential Information. Except in the good-faith performance of her duties hereunder, Executive shall not disclose to any person or entity or use, any information not in the public domain, in any form, acquired by Executive while she was employed or associated with the Company or RRI or, if acquired following the termination of such association, such information which, to Executive's knowledge, has been acquired, directly or indirectly, from any person or entity owing a duty of confidentiality to the Company or RRI, relating to the Company or its business. Executive agrees and acknowledges that all of such information, in any form, and copies and extracts thereof are and shall remain the sole and exclusive property of the Company, and Executive shall on request return to the Company the originals and all copies of any such information provided to or acquired by Executive in connection with her association with the Company or RRI, and shall return to the Company all files, correspondence and/or other communications received, maintained and/or originated by Executive during the course of such association.

6. Covenant Not to Compete. Executive agrees that, for the period commencing on the Effective Date and ending twelve months after the date of termination of Executive's employment as Chief Operating Officer (the "Restrictive Period"), Executive shall not. directly or indirectly, either for herself or for,

with or through any other Person, own, manage, operate, control, be employed by, participate in, loan money to or be connected in any manner with, or permit her name to be used by, either (i) any business that, in the reasonable judgment of the Board, competes with the Company and its subsidiaries in the burger focused restaurant business in the United States or (ii) the following casual dining and brew-centric restaurant concepts (and their successors): Chili's, Applebee's, Ruby Tuesday, TGIFridays, Texas Roadhouse, BJ's, Yardhouse, Millers Ale House and Brickhouse (" Competitive Activity"). In making its judgment as to whether any business is engaged in a burger focused Competitive Activity, the Board shall act in good faith, and shall first provide Executive with a reasonable opportunity to present such information as Executive may desire for the Board's consideration. For purposes of this Agreement, the term "participate" includes any direct or indirect interest, whether as an officer, director, employee, partner, sole proprietor, trustee, beneficiary, agent, representative, independent contractor, consultant, advisor, provider of personal services, creditor, owner (other than by ownership of less than five percent of the stock of a publicly-held corporation whose stock is traded on a national securities exchange (a "Public Company").

7. No Interference. During the Restrictive Period, Executive shall not, without the prior written approval of the Company, directly or indirectly through any other Person (a) induce or attempt to induce any employee of the Company or RRI at the level of General Manager or higher in restaurant operations or the level of Director or higher at the Company's home office to leave the employ of the Company or RRI, or in any way interfere with the relationship between the Company or RRI and any employee thereof, (b) hire any Person who was an employee of the Company or RRI at the level of General Manager or higher in restaurant operations or the level of Director or higher at the Company's home office within twelve months after such Person's employment with the Company or RRI was terminated for any reason or (c) induce or attempt to induce any supplier or other business relation of the Company or RRI to cease doing business with the Company or RRI, or in any way interfere with the relationship between any such supplier or business relation and the Company or RRI.

8. Return of Documents. In the event of the termination of Executive's employment for any reason, Executive shall deliver to the Company all of (a) the property of the Company or any of its subsidiaries, and (b) non-personal documents and data of any nature and in whatever medium of the Company or any of its subsidiaries, and she shall not take with her any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information.

9. Reasonableness of Restrictions. Executive agrees that the covenants set forth in Sections 5, 6, 7 and 8 are reasonable with respect to their duration, geographical area and scope. In the event that any of the provisions of Sections 5, 6, 7 and 8 relating to the geographic or temporal scope of the covenants contained therein or the nature of the business or activities restricted thereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provision shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

10. Injunctive Relief. The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive 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 Executive of any of the provisions of this Agreement, the Company, or 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 in order to enforce compliance with, or prevent any violation of, the provisions hereof; and that, in the event of such a breach or threat thereof, the Company shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Executive from engaging in activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein.

11. Extension of Restricted Periods. In addition to the remedies the Company may seek and obtain pursuant to this Agreement, the restricted periods set forth herein shall be extended by any and all

periods during which Executive shall be found by a court to have been in violation of the covenants contained herein.

12. Stock Ownership Requirement. While employed by the Company, Executive shall be expected to maintain ownership of common stock or stock equivalents in such amounts and on such terms and conditions as are set forth in the Company's Executive Stock Ownership Guidelines established by the Compensation Committee and in effect from time to time (the "Ownership Guidelines"). Executive is expected to meet the ownership requirements set forth in the Ownership Guidelines within the time period stated in the Ownership Guidelines. In the event Executive is unable to meet her ownership requirements within the defined time period, Executive shall retain all net after tax profit shares following option exercise and/or the vesting of restricted stock units until Executive has satisfied the requirements set forth in this Section 12. No additional liability shall apply to Executive if Executive fails to satisfy the stock ownership requirements set forth in this Section 12.

13. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Cause" means with respect to the termination by the Company of Executive as an employee of the Company:

(i) Executive's continual or deliberate neglect in the performance of her material duties;

(ii) Executive's failure to devote substantially all of her working time to the business of the Company and its subsidiaries (other than as expressly permitted in this Agreement);

(iii) Executive's failure to follow the lawful directives of the Board or the Chief Executive Officer or the President in any material respect;

(iv) Executive's engaging in misconduct in connection with the performance of any of her duties, including, without limitation, falsifying or attempting to falsify documents, books or records of the Company or its subsidiaries, misappropriating or attempting to misappropriate funds or other property, or securing or attempting to secure any personal profit in connection with any transaction entered into on behalf of the Company or its subsidiaries;

(v) the violation by Executive, in any material respect, of any policy or of any code or standard of behavior or conduct generally applicable to employees of the Company or its subsidiaries;

(vi) Executive's breach of the material provisions of this Agreement or any other non-competition, non-interference, non-disclosure, confidentiality or other similar agreement executed by Executive with the Company or any of its subsidiaries or other act of disloyalty to the Company or any of its subsidiaries (including, without limitation, aiding a competitor or unauthorized disclosure of confidential information); or

(vii) Executive's engaging in conduct which is reasonably likely to result in material injury to the reputation of the Company or any of its subsidiaries, including, without limitation, commission of a felony, fraud, embezzlement or other crime involving moral turpitude;

provided, however, Executive will not be deemed to have been terminated for Cause in the case of clauses (i), (ii), (iv) and (v) above, unless any such failure or material breach is not fully corrected prior to the expiration of the ten (10) business day period following delivery to Executive of the Company's written notice that specifies in detail of the alleged Cause event(s) and the Company's intention to terminate her employment for Cause.

"Change in Control Event" means:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% or more of either (1) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this definition, the following acquisitions shall not constitute a Change in Control Event; (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company or a successor, or (D) any acquisition by any entity pursuant to a transaction that complies with subsections (iii)(A), (B) and (C) below;

(ii) In the event the Board is a classified board, a majority of the individuals who serve in the same class of directors that constitute the Board as of the Effective Date (the "Incumbent Board") cease for any reason to constitute at least a majority of that class of directors, or in the event the Board is not a classified board, members of the Incumbent Board cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (including for these purposes, the new members whose election or nomination was so approved, without counting the member and his predecessor twice) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its Subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets directly or through one or more subsidiaries (a "Parent")) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination or Parent) beneficially owns, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of more than 50% existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors or trustees of the entity resulting from such Business Combination or a Parent were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

"Disability" means a physical or mental impairment which substantially limits a major life activity of Executive and which renders Executive unable to perform the essential functions of her position, even with reasonable accommodation which does not impose an undue hardship on the Company. The Company reserves the right, in good faith, to make the determination of disability under this Agreement based upon information supplied by Executive and/or her medical personnel, as well as information from medical personnel (or others) selected by the Company or its insurers.

"Good Reason" shall mean the occurrence, without Executive's express written consent, of: (i) a reduction in Executive's compensation other than as permitted pursuant to Section 3 hereof; (ii) a relocation of the Company's headquarters to a location more than twenty (20) miles from the location of the Company's headquarters prior to such relocation; (iii) any willful breach by the Company of any material provision of this Agreement; or (iv) a significant reduction in the then-effective responsibilities of the Chief Operating Officer; provided that Executive gives written notice to the Company of the existence of such a condition within ninety (90) days of the initial existence of the condition, the Company has at least 30 days from the date when such notice is provided to cure the condition without being required to make payments due to termination by the Executive for Good Reason, and the Executive actually terminates her employment for Good Reason within six (6) months of the initial occurrence of any of the conditions in (i) – (iv), above.

14. Arbitration. Except as otherwise provided herein, any controversy arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, or any other controversy arising out of Executive's employment, including, but not limited to, any state or federal statutory or common law claims, shall be submitted to arbitration in Denver, Colorado, before a sole arbitrator selected from Judicial Arbiter Group, Inc., Denver, Colorado, or its successor ("JAG"), or if JAG is no longer able to supply the arbitrator, such arbitrator shall be selected from the Judicial Arbitration and Mediation Services, Inc. ("JAMS"), or other mutually agreed upon arbitration provider, as the exclusive forum for the resolution of such dispute. Provisional injunctive relief may, but need not, be sought by either party to this Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the Arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the Arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Agreement or Executive's employment, and under no circumstances shall class claims be processed or participated in by Executive. The parties agree that Company shall be responsible for payment of the forum costs of any arbitration hereunder, including the Arbitrator's fee. Executive and the Company further agree that in any proceeding to enforce the terms of this Agreement, the prevailing party shall be entitled to its or her reasonable attorneys' fees and costs incurred by it or her in connection with resolution of the dispute in addition to any other relief granted.

15. Governing Law. This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of Colorado, without regard to conflicts of laws principles thereof. Each Participant shall submit to the venue

and personal jurisdiction of the Colorado state and federal courts concerning any dispute for which judicial redress is permitted pursuant to this Agreement; however the Company is not limited in seeking relief in those courts.

16. Taxes.

(a) Except as otherwise provided in Section 3(d)(v) and Section 20, and to the extent specifically provided in Section 17, Executive shall be solely liable for Executive's tax consequences of compensation and benefits payable under this Agreement, including any consequences of the application of Section 409A of the Code.

(b) In order to comply with all applicable federal or state income tax laws or regulations, the Company may withhold from any payments made under this Agreement all applicable federal, state, city or other applicable taxes.

17. Section 409A Savings Clause.

(a) It is the intention of the parties that compensation or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code, and this Agreement shall be interpreted accordingly. To the extent such potential payments or benefits could become subject to additional tax under such Section, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax being imposed.

(b) Each payment or benefit made pursuant to Section 4(f) of this Agreement shall be deemed to be a separate payment for purposes of 409A. In addition, payments or benefits pursuant to Section 4(f) shall be exempt from the requirements of Code Section 409A to the maximum extent possible as "short-term deferrals" pursuant to Treasury Regulation Section 1.409A-1(b)(4), as involuntary separation pay pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), and/or under any other exemption that may be applicable, and this Agreement shall be construed accordingly.

(c) For purposes of this Agreement, phrases such as "termination of employment" shall be deemed to mean "separation from service," as defined in Section 409A of the Code and the Treasury Regulations thereunder.

(d) If Executive is a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code and would receive any payment sooner than 6 months after Executive's "separation from service" that, absent the application of this Section 17(d), would be subject to additional tax imposed pursuant to Section 409A of the Code as a result of such status as a specified employee, then such payment shall instead be payable on the date that is the earliest of (i) 6 months after Executive's "separation from service," or (ii) Executive's death.

18. Entire Agreement. This Agreement (including Exhibits) constitutes and contains the entire agreement and final understanding concerning Executive's employment with the Company and the other subject matters addressed herein between the parties. It is intended by the parties as a complete and exclusive statement of the terms of their agreement. It supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof. Any representation, promise or agreement not specifically included in this Agreement shall not be binding upon or enforceable against either party. This is a fully integrated agreement.

19. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Board (or a person expressly authorized thereby) and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

20. Excise Tax Payment.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") including, by example and not by way of limitation, acceleration (by the Company or otherwise) of the date of vesting or payment under any plan, program, arrangement or agreement of the Company, would be subject to the excise tax imposed by Code Section 4999 or any interest or penalties with respect to such excise tax (such excise tax together with any such interest and penalties, shall be referred to as the "Excise Tax"), then there shall be made a calculation under which such Payments provided to Executive are reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax (the "4999 Limit"). A comparison shall then be made between (A) Executive's Net After-Tax Benefit (as defined below) assuming application of the 4999 Limit; and (B) Executive's Net After-Tax Benefit without application of the 4999 Limit. If (B) exceeds (A) by $50,000 or more, then no limit on the Payments received by Executive under this Agreement shall be imposed by this Section 21. Otherwise, the amount payable to Executive pursuant to this Agreement shall be reduced so that no such Payment is subject to the Excise Tax. "Net After-Tax Benefit" shall mean the sum of (x) all payments that Executive receives or is entitled to receive from the Company that are contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Code section 280G(b)(2) (either, a "Section 280G Transaction"), less (y) the amount of federal, state, local and employment taxes and Excise Tax (if any) imposed with respect to such payments.

(b) All determinations required to be made under this Section 21, including whether and when a Payment is cut back pursuant to Section 21(a) and the amount of such cut-back, and the assumptions to be utilized in arriving at such determination, shall be made by a professional services firm designated by the Board that is experienced in performing calculations under Section 280G (the "Professional Services Firm") which shall provide detailed supporting calculations both to the Company and Executive. If the Professional Services Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control Event, the Board shall appoint another qualified professional services firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Professional Services Firm hereunder). All fees and expenses of the Professional Services Firm shall be borne solely by the Company.

(c) In the event that a reduction in Payments is required pursuant to this Section, then, except as provided below with respect to Payments that consist of health and welfare benefits, the reduction in Payments shall be implemented by determining the "Parachute Payment Ratio" (as defined below) for each Payment and then reducing the Payments in order beginning with the Payment with the highest Parachute Payment Ratio. For Payments with the same Parachute Payment Ratio, such Payments shall be reduced based on the time of payment of such Payments, with amounts being paid furthest in the future being reduced first. For Payments with the same Parachute Payment Ratio and the same time of payment, such Payments shall be reduced on a pro-rata basis (but not below zero) prior to reducing Payments next in order for reduction. For purposes of this Section, "Parachute Payment Ratio" shall mean a fraction, the numerator of which is the value of the applicable Payment as determined for purposes of Code Section 280G, and the denominator of which is the financial present value of such Parachute Payment, determined at the date such payment is treated as made for purposes of Code Section 280G (the "Valuation Date"). In determining the denominator for purposes of the preceding sentence (1) present values shall be determined using the same discount rate that applies for purposes of discounting payments under Code Section 280G; (2) the financial value of payments shall be determined generally under Q&A 12, 13 and 14 of Treasury Regulation 1.280G-1; and (3) other reasonable valuation assumptions as determined by the Company shall be used. Notwithstanding the foregoing, Payments that consist of health and welfare benefits shall be reduced after all other Payments, with health and welfare Payments being made furthest in the future being reduced first. Upon any assertion by the Internal Revenue Service that any such Payment is subject to the Excise Tax, Executive shall be obligated to return to the Company any portion of the Payment determined by the Professional Services Firm to be necessary to appropriately reduce the Payment so as to avoid any such Excise Tax.

20. Miscellaneous.

(a) Binding Effect. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign her rights or delegate her obligations hereunder without the prior written consent of the Company.

(b) Notices. All notices required to be given hereunder shall be in writing and shall be deemed to have been given if (i) delivered personally or by documented courier or delivery service, (ii) transmitted by facsimile during normal business hours or (iii) mailed by registered or certified mail (return receipt requested and postage prepaid) to the following listed persons at the addresses and facsimile numbers specified below, or to such other persons, addresses or facsimile numbers as a party entitled to notice shall give, in the manner hereinabove described, to the others entitled to notice:

If to the Company, to:

Red Robin Gourmet Burgers, Inc.
6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
Attention: Chief Executive Officer
Facsimile No.: 303-846-6048

with a copy to:

Red Robin Gourmet Burgers, Inc.
6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
Attention: Chief Legal Officer
Facsimile No.: 303-846-6048

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202
Attention: Jonathan Marks
Facsimile No.: 303-893-1379

If to Executive, to:

Carin Stutz
6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
Facsimile No.: 303-846-6048

If given personally or by documented courier or delivery service, or transmitted by facsimile, a notice shall be deemed to have been given when it is received. If given by mail, it shall be deemed to have been given on the third business day following the day on which it was posted.

(c) Headings. The section and other headings contained in this Agreement are for the convenience of the parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof

(d) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(e) Construction. Each party has cooperated in the drafting and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against any party on the basis that the party was the drafter.

(f) Savings Clause. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

RED ROBIN GOURMET BURGERS, INC.

By: /s/ _____Stephen E. Carley_______
Name: Stephen E. Carley
Title: Chief Executive Officer

EXECUTIVE:

/s/ Carin Stutz____________________
Carin Stutz

Exhibit 10.37

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made as of this 13th day of December, 2016, by and between RED ROBIN GOURMET BURGERS, INC., a Delaware corporation (the "Company"), and Guy J. Constant ("Executive").

RECITAL

WHEREAS, the parties desire to enter into this Agreement setting forth the terms and conditions for the employment relationship between Executive and the Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and Executive hereby agree as follows:

AGREEMENT

1. Employment Period. The Company, through its wholly-owned subsidiary, Red Robin International, Inc., a Nevada corporation ("RRI"), hereby employs Executive, and Executive hereby accepts such employment, upon the terms and conditions hereinafter set forth. The term of Executive's employment hereunder shall be deemed to have commenced on December 14, 2016 (the "Effective Date"), and shall continue indefinitely, subject to termination as provided herein (such term being referred to herein as the "Employment Period"). Executive and the Company acknowledge that, except as may otherwise be provided by this Agreement or under any other written agreement between Executive and the Company, the employment of Executive by the Company and RRI is "at will" and Executive's employment may be terminated by either Executive or the Company at any time for any reason, or no reason. RRI shall be the "employer" for tax, legal reporting, payroll processing and similar purposes.

2. Position and Duties.

(a) During the Employment Period, Executive shall be employed as and hold the title of Executive Vice President and Chief Financial Officer ("Chief Financial Officer") of the Company, with such duties and responsibilities that are customary for public company chief financial officer positions. Executive shall report to the Chief Executive Officer and President and shall interface with Company's Board of Directors, the Audit Committee and the Finance Committee, and certain other committees of the Board of Directors and their respective chairpersons from time to time (collectively, the "Board"). In addition, the Chief Executive Officer and President may assign Executive such duties and responsibilities that are not substantially inconsistent with his position as Chief Financial Officer of the Company.

(b) During the Employment Period, Executive shall devote substantially all of his skill, knowledge and working time to the business and affairs of the Company and its subsidiaries; provided that in no event shall this sentence prohibit Executive from performing personal and charitable activities and any other activities approved in advance by the Board, so long as such activities do not materially and adversely interfere with Executive's duties for the Company and are in compliance with the Company's policies. Executive shall perform his services at the Company's headquarters, presently located in Greenwood Village, Colorado. Executive shall use his best efforts to carry out his responsibilities under this Agreement faithfully and efficiently.

3. Compensation.

(a) Base Salary. During the Employment Period, Executive shall receive from the Company an annual base salary ("Annual Base Salary") at the rate of $500,000.00, with such salary to be adjusted at such times, if any, and in such amounts as recommended by the Chief Executive Officer and President and approved by the Compensation Committee of the Board (the "Compensation Committee").

Executive's Annual Base Salary shall be subject to annual review by the Chief Executive Officer and President and the Compensation Committee during the Employment Term. The Company shall pay the Annual Base Salary to Executive in accordance with the Company's and RRI's normal payroll policy.

(b) Sign-On Bonus. The Company agrees to pay Executive a one-time sign-on bonus of $200,000 (the " Sign-On Bonus"), subject to all required taxes and withholdings, to be paid within twenty-one (21) days following the Effective Date. If Executive's employment with the Company terminates less than twenty-four (24) full months after the Effective Date, Executive agrees to repay the full amount of the Sign-On Bonus, less 1/24th of the Sign-On Bonus (i.e., $8,333.33) for each full month of employment completed after the Effective Date. Executive further agrees that Executive will repay the Bonus by no later than the effective date of the employment termination, and that any outstanding balance on such repayment obligation is delinquent and immediately collectable the day following the effective date of termination.

(c) Annual Incentive Compensation. In addition to the Annual Base Salary, Executive is eligible to receive an annual cash bonus each fiscal year during the Employment Period as determined in accordance with the Company's annual incentive plan and as approved by the Compensation Committee (the "Annual Bonus"). For the 2017 fiscal year, the Annual Bonus shall be targeted at up to 70% of Executive's Annual Base Salary. Such target will be subject to adjustment by the Compensation Committee in fiscal year 2018 and later. The actual amount of any Annual Bonus shall depend on the level of achievement of the applicable performance criteria established with respect to the Annual Bonus by the Board and the Compensation Committee in their sole discretion. There shall be no Annual Bonus in respect of fiscal year 2016.

(d) Long-Term Incentive Awards.

(i) Sign-On Equity Awards. Executive will receive equity awards pursuant to the Company's Second Amended and Restated 2007 Performance Incentive Plan (the "2007 Plan") or the Company's new equity incentive award plan (subject to approval of such plan at the shareholder meeting in fiscal year 2017), as applicable, as follows (the "Sign-On Equity Awards"): (x) on January 3, 2017, a non-qualified stock option having a Black-Scholes grant date fair value of $400,000, of which 25% shall vest on each of the first, second, third and fourth anniversaries of the date of grant, subject to continued employment through each such vesting date; (y) on January 3, 2017, time-vested restricted stock units having a grant date fair value of $200,000, of which 25% shall vest on each of the first, second, third and fourth anniversaries of the date of grant, subject to continued employment through each such vesting date; and (z) during the first quarter of fiscal 2017, performance share units (PSUs) representing that number of shares of the Company's common stock (at target) equal to $400,000 divided by the closing price of the Company's common stock on January 3, 2017 (such PSU grant shall be subject to approval of the Company's new equity incentive award plan at the shareholder meeting in fiscal year 2017). The PSU award will cliff-vest at the end of a three-year performance cycle, generally subject to Executive's continued employment through the applicable vesting date, with the number of PSUs earned and issued to be determined based on achievement of EBITDA and ROIC threshold, target or maximum performance objectives. Specific EBITDA and ROIC targets (and associated periods for such targets) will be approved by the Compensation Committee in the first quarter of fiscal year 2017, with the threshold, target, and maximum number of shares eligible for issuance under the PSU award to be consistent with past practice. The Sign-On Equity Awards shall be subject to the terms and conditions set forth in the Company's standard award agreement for the applicable type of award and shall be subject to the terms of the 2007 Plan or the new equity incentive award plan, as applicable.

(ii) Beginning in fiscal year 2018, Executive shall have the opportunity to participate in the Company's long term incentive plan ("LTIP"), which will have a target value equal to 150% of Annual Base Salary. During the Employment Period, Executive shall be entitled to participate in such annual long term incentive awards as may be approved by the Board or the Compensation Committee from time to time in accordance with the Company's compensation plans.

(e) Other Benefits.

(i) Welfare and Benefit Plans. During the Employment Period: (A) Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs of the Company and RRI to the same extent as other senior executive employees, including, among other things, participation in the Company's Non-Qualified Deferred Compensation Plan; and (B) Executive and/or Executive's family, as the case may be, shall be eligible to participate in, and shall receive all benefits under, all welfare benefit plans, practices, policies and programs provided by the Company and RRI (including, to the extent provided, without limitation, medical, prescription, dental, disability, salary continuance, employee life insurance, group life insurance, accidental death and travel accident insurance plans and programs) to the same extent as other senior executive employees.

(ii) Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable travel and other expenses incurred by Executive in carrying out Executive's duties under this Agreement, provided that Executive complies with the policies, practices and procedures of the Company and RRI for submission of expense reports, receipts or similar documentation of the incurrence and purpose of such expenses (collectively referred to herein as "Expense Policies").

(iii) Paid Time Off. Executive shall be entitled to holidays and paid time off in accordance with the Company's holiday and paid time off policies applicable to executive officers as in effect from time to time.

(iv) Car Allowance. During the Employment Period, Executive shall be paid a monthly car allowance in the gross amount of $850.00.

(f) Reservation of Rights. The Company reserves the right to modify, suspend or discontinue any and all of the employee benefit plans, practices, policies and programs referenced in subsections (e)(i), (ii) and (iii) above at any time without recourse by Executive so long as such action is taken with respect to senior executives generally and does not single out Executive.

4. Termination.

(a) Death or Disability. Executive's employment and all associated rights and benefits shall terminate automatically upon Executive's death. If the Company determines in good faith that the Disability of Executive has occurred, it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by Executive, provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of his duties.

(b) Cause. The Company may terminate Executive's employment at any time for Cause.

(c) By the Company without Cause. The Company may terminate Executive's employment at any time without Cause.

(d) By Executive for Good Reason. Executive may terminate his employment at any time for Good Reason subject to the notice and cure provisions set forth in the definition thereof.

(e) Obligations of the Company Upon Termination.

(i) Death; Disability; For Cause; Resignation without Good Reason. If Executive's employment is terminated by reason of Executive's Death or Disability or by the Company for Cause or Executive resigns without Good Reason, this Agreement shall terminate without further obligations to Executive or his legal representatives under this Agreement, other than for (A) payment of the sum of Executive's Annual Base Salary through the date of termination to the extent not theretofore paid ("Accrued Obligation"), which Accrued Obligation shall be paid to Executive or his estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the effective date of termination or such earlier date as may be required by law; and (B) payment to Executive or his estate or beneficiary, as applicable, of any amounts due pursuant to the terms of any applicable employee benefit plans.

(ii) By the Company without Cause or by Executive for Good Reason. If, prior to the expiration of the stated term of this Agreement, the Company terminates Executive's employment for any reason other than for Cause or Executive terminates his employment for Good Reason, this Agreement shall terminate without further obligations to Executive other than:

(A) payment of the Accrued Obligation through the effective date of termination in a lump sum in cash within 30 days of the effective date of termination or such earlier date as may be required by law;

(B) payment of the equivalent of twelve (12) months of Executive's Annual Base Salary as in effect immediately prior to the date of termination in a lump sum in cash within 60 days of the effective date of termination, subject to standard withholdings and other authorized deductions;

provided, however, that as conditions precedent to receiving the payments and benefits provided for in this Section 4(e)(ii) (other than payment of the Accrued Obligation), Executive shall first execute and deliver to the Company and RRI a general release agreement in a form that is satisfactory to the Company and RRI, and all rights of Executive thereunder or under applicable law to rescind or revoke the release shall have expired no later than the 60 days after the date of termination. If Executive fails to timely execute the general release, all payments and benefits set forth in this Section 4(e)(ii) (other than the payment of the Accrued Obligation) shall be forfeited.

(iii) Exclusive Remedy. Executive agrees that the payments contemplated by this Section 4(e) shall constitute the exclusive and sole remedy for any termination of his employment, and Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment; provided, however, that nothing contained in this Section 4(e)(iii) shall prevent Executive from otherwise challenging in a subsequent arbitration proceeding a determination by the Company that it was entitled to terminate Executive's employment hereunder for Cause.

(iv) Termination of Payments. Anything in this Agreement to the contrary notwithstanding, the Company shall have the right to terminate all payments and benefits owing to Executive pursuant to this Section 4(e) upon the Company's discovery of any breach by Executive of his obligations under the general release or Sections 5, 6, 7 and 8 of this Agreement.

(f) Survival of Certain Obligations Following Termination. Notwithstanding any other provision contained in this Agreement, the provisions in Sections 5 through 11 and 14 through 22 of this Agreement shall survive any termination of Executive's employment hereunder (but shall be subject to Executive's right to receive the payments and benefits provided under this Section 4).

5. Confidential Information. Except in the good-faith performance of his duties hereunder, Executive shall not disclose to any person or entity or use, any information not in the public domain, in any

form, acquired by Executive while he was employed or associated with the Company or RRI or, if acquired following the termination of such association, such information which, to Executive's knowledge, has been acquired, directly or indirectly, from any person or entity owing a duty of confidentiality to the Company or RRI, relating to the Company or its business. Executive agrees and acknowledges that all of such information, in any form, and copies and extracts thereof are and shall remain the sole and exclusive property of the Company, and Executive shall on request return to the Company the originals and all copies of any such information provided to or acquired by Executive in connection with his association with the Company or RRI, and shall return to the Company all files, correspondence and/or other communications received, maintained and/or originated by Executive during the course of such association.

6. Covenant Not to Compete. Executive agrees that, for the period commencing on the Effective Date and ending twelve (12) months after the date of termination of Executive's employment with the Company (the "Restrictive Period"), Executive shall not directly or indirectly, either for himself or for, with or through any other Person, own, manage, operate, control, be employed by, participate in, loan money to or be connected in any manner with, or permit her name to be used by, either (i) any business that, in the reasonable judgment of the Board, competes with the Company and its subsidiaries in the burger focused restaurant business in (x) the United States, (y) the Canadian provinces of Alberta and British Columbia, or (z) any other country, province or territory in which the Company conducts business as of the date Executive's employment terminates, or (ii) the following casual dining and brew-centric restaurant concepts (and their successors): Chili's, Applebee's, Ruby Tuesday, TGIFridays, Texas Roadhouse, BJ's, Yardhouse, Millers Ale House and Brickhouse ("Competitive Activity"). In making its judgment as to whether any business is engaged in a burger focused Competitive Activity, the Board shall act in good faith, and shall first provide Executive with a reasonable opportunity to present such information as Executive may desire for the Board's consideration. For purposes of this Agreement, the term "participate" includes any direct or indirect interest, whether as an officer, director, employee, partner, sole proprietor, trustee, beneficiary, agent, representative, independent contractor, consultant, advisor, provider of personal services, creditor, owner (other than by ownership of less than five percent of the stock of a publicly-held corporation whose stock is traded on a national securities exchange (a "Public Company")).

7. No Interference. During the Restrictive Period, Executive shall not, without the prior written approval of the Company, directly or indirectly through any other Person (a) induce or attempt to induce any employee of the Company or RRI at the level of General Manager or higher in restaurant operations or the level of Director or higher at the Company's home office to leave the employ of the Company or RRI, or in any way interfere with the relationship between the Company or RRI and any employee thereof, (b) hire any individual who was an employee of the Company or RRI at the level of General Manager or higher in restaurant operations or the level of Director or higher at the Company's home office within twelve (12) months after such individual's employment with the Company or RRI was terminated for any reason or (c) induce or attempt to induce any supplier or other business relation of the Company or RRI to cease doing business with the Company or RRI, or in any way interfere with the relationship between any such supplier or business relation and the Company or RRI.

8. Return of Documents. In the event of the termination of Executive's employment for any reason, Executive shall deliver to the Company all of (a) the property of the Company or any of its subsidiaries, and (b) non-personal documents and data of any nature and in whatever medium of the Company or any of its subsidiaries, and he shall not take with his any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information.

9. Reasonableness of Restrictions. Executive agrees that the covenants set forth in Sections 5, 6, 7 and 8 are reasonable with respect to their duration, geographical area and scope. In the event that any of the provisions of Sections 5, 6, 7 and 8 relating to the geographic or temporal scope of the covenants contained therein or the nature of the business or activities restricted thereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provision shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

10. Injunctive Relief. The parties hereto agree that the Company would suffer irreparable harm from a breach by Executive 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 Executive of any of the provisions of this Agreement, the Company, or 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) in order to enforce compliance with, or prevent any violation of, the provisions hereof; and that, in the event of such a breach or threat thereof, the Company shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Executive from engaging in activities prohibited hereby or such other relief as may be required to specifically enforce any of the covenants contained herein.

11. Extension of Restricted Periods. In addition to the remedies the Company may seek and obtain pursuant to this Agreement, the restricted periods set forth herein shall be extended by any and all periods during which Executive shall be found by a court to have been in violation of the covenants contained herein.

12. Stock Ownership Requirement. While employed by the Company, Executive shall be expected to maintain ownership of common stock or stock equivalents in such amounts and on such terms and conditions as are set forth in the Company's Executive Stock Ownership Guidelines established by the Compensation Committee and in effect from time to time (the "Ownership Guidelines"). Executive is expected to meet the ownership requirements set forth in the Ownership Guidelines within the time period stated in the Ownership Guidelines. In the event Executive is unable to meet his ownership requirements within the defined time period, Executive shall retain all net after tax profit shares following option exercise and/or the vesting of restricted stock units until Executive has satisfied the requirements set forth in this Section 12. No additional liability shall apply to Executive if Executive fails to satisfy the stock ownership requirements set forth in this Section 12.

13. Definitions. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Cause" means with respect to the termination by the Company of Executive as an employee of the Company:

(i) Executive's continual or deliberate neglect in the performance of his material duties;

(ii) Executive's failure to devote substantially all of his working time to the business of the Company and its subsidiaries (other than as expressly permitted in this Agreement);

(iii) Executive's failure to follow the lawful directives of the Board or the Chief Executive Officer and President in any material respect;

(iv) Executive's engaging in misconduct in connection with the performance of any of his duties, including, without limitation, falsifying or attempting to falsify documents, books or records of the Company or its subsidiaries, misappropriating or attempting to misappropriate funds or other property, or securing or attempting to secure any personal profit in connection with any transaction entered into on behalf of the Company or its subsidiaries;

(v) the violation by Executive, in any material respect, of any policy or of any code or standard of behavior or conduct generally applicable to employees of the Company or its subsidiaries;

(vi) Executive's breach of the material provisions of this Agreement or any other non-competition, non-interference, non-disclosure, confidentiality or other similar agreement executed by Executive with the Company or any of its subsidiaries or other act of disloyalty to the Company or any of its subsidiaries (including, without limitation, aiding a competitor or unauthorized disclosure of confidential information); or

(vii) Executive's engaging in conduct which is reasonably likely to result in material injury to the reputation of the Company or any of its subsidiaries, including, without limitation, commission of a felony, fraud, embezzlement or other crime involving moral turpitude;

provided, however, Executive will not be deemed to have been terminated for Cause in the case of clauses (i), (ii), (iv) and (v) above, unless any such failure or material breach is not fully corrected prior to the expiration of the ten (10) business day period following delivery to Executive of the Company's written notice that specifies in detail of the alleged Cause event(s) and the Company's intention to terminate his employment for Cause.

"Disability" means a physical or mental impairment which substantially limits a major life activity of Executive and which renders Executive unable to perform the essential functions of his position, even with reasonable accommodation which does not impose an undue hardship on the Company. The Company reserves the right, in good faith, to make the determination of disability under this Agreement based upon information supplied by Executive and/or his medical personnel, as well as information from medical personnel (or others) selected by the Company or its insurers.

"Good Reason" shall mean the occurrence, without Executive's express written consent, of: (i) a material reduction in Executive's compensation other than as permitted pursuant to Section 3 hereof; (ii) a relocation of the Company's headquarters to a location more than twenty (20) miles from the location of the Company's headquarters prior to such relocation; (iii) any willful breach by the Company of any material provision of this Agreement; or (iv) a significant reduction in the then-effective responsibilities of the Chief Financial Officer; provided that Executive gives written notice to the Company of the existence of such a condition within ninety (90) days of the initial existence of the condition, the Company has at least thirty (30) days from the date when such notice is provided to cure the condition without being required to make payments due to termination by the Executive for Good Reason, and the Executive actually terminates his employment for Good Reason within six (6) months of the initial occurrence of any of the conditions in (i) – (iv), above.

"Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended.

14. Arbitration. Except as otherwise provided herein, any controversy arising out of or relating to this Agreement, its enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, or any other controversy arising out of Executive's employment, including, but not limited to, any state or federal statutory or common law claims, shall be submitted to arbitration in Denver, Colorado, before a sole arbitrator selected from Judicial Arbiter Group, Inc., Denver, Colorado, or its successor ("JAG"), or if JAG is no longer able to supply the arbitrator, such arbitrator shall be selected from the Judicial Arbitration and Mediation Services, Inc. ("JAMS"), or other mutually agreed upon arbitration provider, as the exclusive forum for the resolution of such dispute. Provisional injunctive relief may, but need not, be sought by either party to this Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the Arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the Arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge

and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Agreement or Executive's employment, and under no circumstances shall class claims be processed or participated in by Executive. The parties agree that Company shall be responsible for payment of the forum costs of any arbitration hereunder, including the Arbitrator's fee. Executive and the Company further agree that in any proceeding to enforce the terms of this Agreement, the prevailing party shall be entitled to its or his reasonable attorneys' fees and costs incurred by it or his in connection with resolution of the dispute in addition to any other relief granted.

15. Governing Law. This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of Colorado, without regard to conflicts of laws principles thereof. Each Participant shall submit to the venue and personal jurisdiction of the Colorado state and federal courts concerning any dispute for which judicial redress is permitted pursuant to this Agreement; however the Company is not limited in seeking relief in those courts.

16. Taxes.

(a) Except as otherwise provided in Section 20, and to the extent specifically provided in Section 17, Executive shall be solely liable for Executive's tax consequences of compensation and benefits payable under this Agreement, including any consequences of the application of Section 409A of the Code.

(b) In order to comply with all applicable federal or state income tax laws or regulations, the Company may withhold from any payments made under this Agreement all applicable federal, state, city or other applicable taxes.

17. Section 409A Savings Clause.

(a) It is the intention of the parties that compensation or benefits payable under this Agreement not be subject to the additional tax imposed pursuant to Section 409A of the Code, and this Agreement shall be interpreted accordingly. To the extent such potential payments or benefits could become subject to additional tax under such Section, the parties shall cooperate to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax being imposed.

(b) Each payment or benefit made pursuant to Section 4(e) of this Agreement shall be deemed to be a separate payment for purposes of 409A. In addition, payments or benefits pursuant to Section 4(e) shall be exempt from the requirements of Code Section 409A to the maximum extent possible as "short-term deferrals" pursuant to Treasury Regulation Section 1.409A-1(b)(4), as involuntary separation pay pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), and/or under any other exemption that may be applicable, and this Agreement shall be construed accordingly.

(c) For purposes of this Agreement, phrases such as "termination of employment" shall be deemed to mean "separation from service," as defined in Section 409A of the Code and the Treasury Regulations thereunder.

(d) If Executive is a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code and would receive any payment sooner than six (6) months after Executive's "separation from service" that, absent the application of this Section 17(d), would be subject to additional tax imposed pursuant to Section 409A of the Code as a result of such status as a specified employee, then such payment shall instead be payable on the date that is the earliest of (i) six (6) months after Executive's "separation from service" or (ii) Executive's death.

18. Entire Agreement. This Agreement (including Exhibits) constitutes and contains the entire agreement and final understanding concerning Executive's employment with the Company and the other subject matters addressed herein between the parties. It is intended by the parties as a complete and exclusive statement of the terms of their agreement. It supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, concerning the subject matter hereof. Any representation, promise or agreement not specifically included in this Agreement shall not be binding upon or enforceable against either party. This is a fully integrated agreement.

19. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Board (or a person expressly authorized thereby) and Executive, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

20. Excise Tax Payment.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") including, by example and not by way of limitation, acceleration (by the Company or otherwise) of the date of vesting or payment under any plan, program, arrangement or agreement of the Company, would be subject to the excise tax imposed by Code Section 4999 or any interest or penalties with respect to such excise tax (such excise tax together with any such interest and penalties, shall be referred to as the "Excise Tax"), then there shall be made a calculation under which such Payments provided to Executive are reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax (the "4999 Limit"). A comparison shall then be made between (A) Executive's Net After-Tax Benefit (as defined below) assuming application of the 4999 Limit; and (B) Executive's Net After-Tax Benefit without application of the 4999 Limit. If (B) exceeds (A) by $50,000 or more, then no limit on the Payments received by Executive under this Agreement shall be imposed by this Section 20. Otherwise, the amount payable to Executive pursuant to this Agreement shall be reduced so that no such Payment is subject to the Excise Tax. "Net After-Tax Benefit" shall mean the sum of (x) all payments that Executive receives or is entitled to receive from the Company that are contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Code section 280G(b)(2) (either, a "Section 280G Transaction"), less (y) the amount of federal, state, local and employment taxes and Excise Tax (if any) imposed with respect to such payments.

(b) All determinations required to be made under this Section 20, including whether and when a Payment is cut back pursuant to Section 20(a) and the amount of such cut-back, and the assumptions to be utilized in arriving at such determination, shall be made by a professional services firm designated by the Board that is experienced in performing calculations under Section 280G (the "Professional Services Firm") which shall provide detailed supporting calculations both to the Company and Executive. If the Professional Services Firm is serving as accountant or auditor for the individual, entity or group effecting the Section 280G Transaction, the Board shall appoint another qualified professional services firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Professional Services Firm hereunder). All fees and expenses of the Professional Services Firm shall be borne solely by the Company.

(c) In the event that a reduction in Payments is required pursuant to this Section, then, except as provided below with respect to Payments that consist of health and welfare benefits, the reduction in Payments shall be implemented by determining the "Parachute Payment Ratio" (as defined below) for each Payment and then reducing the Payments in order beginning with the Payment with the highest Parachute Payment Ratio. For Payments with the same Parachute Payment Ratio, such Payments shall be reduced based on the time of payment of such Payments, with amounts being paid furthest in the future being reduced first. For Payments with the same Parachute Payment Ratio and the same time of payment, such Payments shall be reduced on a pro-rata basis (but not below zero) prior to reducing Payments next in order for reduction. For purposes of this Section, "Parachute Payment Ratio" shall mean a fraction, the numerator of which is the value of the applicable Payment as determined for purposes of Code Section 280G, and the denominator of which is the financial present value of such Parachute Payment, determined at the date such payment is treated as made for purposes of Code Section 280G (the "Valuation Date"). In determining the denominator for purposes of the preceding sentence (1) present values shall be determined using the same discount rate that applies for purposes of discounting payments under Code Section 280G; (2) the financial value of payments shall be determined generally under Q&A 12, 13 and 14 of Treasury Regulation 1.280G-1; and (3) other reasonable valuation assumptions as determined by the Company shall be used. Notwithstanding the foregoing, Payments that consist of health and welfare benefits shall be reduced after all other Payments, with health and welfare Payments being made furthest in the future being reduced first. Upon any assertion by the Internal Revenue Service that any such Payment is subject to the Excise Tax, Executive shall be obligated to return to the Company any portion of the Payment determined by the Professional Services Firm to be necessary to appropriately reduce the Payment so as to avoid any such Excise Tax.

20. Clawback. Executive acknowledges that any incentive compensation contemplated under this Agreement shall be subject to the Company's clawback policies, including without limitation any policy adopted to the extent required by applicable law or written company policy adopted to implement the requirements of such law (including without limitation Section 304 of the Sarbanes Oxley Act and Section 954 of the Dodd Frank Act.

21. Miscellaneous.

(a) Binding Effect. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive, the Company and their respective heirs, successors and assigns, except that Executive may not assign his rights or delegate his obligations hereunder without the prior written consent of the Company.

(b) Notices. All notices required to be given hereunder shall be in writing and shall be deemed to have been given if (i) delivered personally or by documented courier or delivery service, (ii) transmitted by facsimile or (iii) mailed by registered or certified mail (return receipt requested and postage prepaid) to the following listed persons at the addresses and facsimile numbers specified below, or to such other persons, addresses or facsimile numbers as a party entitled to notice shall give, in the manner hereinabove described, to the others entitled to notice:

If to the Company, to:

Red Robin Gourmet Burgers, Inc.
6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
Attention: Chief Executive Officer
Facsimile No.: 303-846-6048

with a copy to:

Red Robin Gourmet Burgers, Inc.
6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
Attention: Chief Legal Officer
Facsimile No.: 303-846-6048

Bryan Cave LLP
One Metropolitan Square
211 N. Broadway, Suite 3600
St. Louis, MO 63102
Attention: Robert J. Endicott
Facsimile No.: 314-259-2447

If to Executive:

To Executive's last known address as reflected in the Company's records, or to such other address as Executive shall designate by written notice to the Company.

If given personally or by documented courier or delivery service, or transmitted by facsimile, a notice shall be deemed to have been given when it is received. If given by mail, it shall be deemed to have been given on the third business day following the day on which it was posted.

(c) Headings. The section and other headings contained in this Agreement are for the convenience of the parties only and are not intended to be a part hereof or to affect the meaning or interpretation hereof

(d) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(e) Construction. Each party has cooperated in the drafting and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against any party on the basis that the party was the drafter.

(f) Savings Clause. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable. Subject to the foregoing, upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent reasonably practicable.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

RED ROBIN GOURMET BURGERS, INC.

By: /s/ Denny Marie Post________________
Name: Denny Marie Post
Title: Chief Executive Officer

EXECUTIVE:

/s/ Guy J. Constant_____________________
Guy J. Constant

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 Registration Statement Nos. 333-174672, 333-100458, 333-125443, 333-143458, and 333-151512 on Form S-8 of Red Robin Gourmet Burgers, Inc. of our reports dated February 21, 2017, with respect to the consolidated balance sheets of Red Robin Gourmet Burgers, Inc. and subsidiaries as of December 25, 2016 and December 27, 2015, and the related consolidated statement of income, comprehensive income, stockholders' equity, and cash flows for years then ended, and the effectiveness of internal control over financial reporting as of December 25, 2016, which reports appear in the December 25, 2016 annual report on Form 10-K of Red Robin Gourmet Burgers, Inc.

/s/ KPMG LLP

Denver, Colorado
February 21, 2017

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-174672, 333-100458, 333-125443, 333-143458 and 333-151512 on Form S-8 of our report dated February 20, 2015, relating to the consolidated financial statements of Red Robin Gourmet Burgers, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Red Robin Gourmet Burgers, Inc. for the year ended December 25, 2016.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado
February 21, 2017

Exhibit 31.1

CEO CERTIFICATION

I, Denny Marie Post, certify that:

1. I have reviewed this 2016 Annual Report on Form 10-K 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 21, 2017	/s/ DENNY MARIE POST
(Date)	Denny Marie Post *Chief Executive Officer*

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32.1

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

The undersigned, Denny Marie Post, Chief Executive Officer, and Guy J. Constant, Chief Financial Officer, of Red Robin Gourmet Burgers, Inc. (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 Annual Report on Form 10-K for the period endedDecember 25, 2016 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 21, 2017

/s/ DENNY MARIE POST

Denny Marie Post
Chief Executive Officer

Dated: February 21, 2017

/s/ GUY J. CONSTANT

Guy J. Constant
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.

Exhibit 31.2

CFO CERTIFICATION

I, Guy J. Constant, certify that:

1. I have reviewed this 2016 Annual Report on Form 10-K 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 21, 2017	/s/ GUY J. CONSTANT
(Date)	Guy J. Constant *Chief Financial Officer*