
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 6, 2013

or

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

For the transition period from _____ to _____

Commission File Number: 001-34851

RED ROBIN GOURMET BURGERS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-1573084

(I.R.S. Employer Identification No.)

**6312 S. Fiddler's Green Circle, Suite 200N
Greenwood Village, CO**

(Address of principal executive offices)

80111

(Zip Code)

(303) 846-6000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 Web site, 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 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

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 4, 2013
Common Stock, \$0.001 par value per share	14,347,170 shares

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Item 1.	Financial Statements (unaudited)	2
	Condensed Consolidated Balance Sheets	2
	Condensed Consolidated Statements of Operations	3
	Condensed Consolidated Statements of Comprehensive Income	4

	Condensed Consolidated Statements of Cash Flows	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	21
Item 4.	Controls and Procedures	21
	PART II—OTHER INFORMATION	22
Item 1.	Legal Proceedings	22
Item 1A.	Risk Factors	22
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 6.	Exhibits	23

[Table of Contents](#)

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)
(Unaudited)

	<u>October 6, 2013</u>	<u>December 30, 2012</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 17,964	\$ 22,440
Accounts receivable, net	14,388	16,386
Inventories	21,276	18,371
Prepaid expenses and other current assets	10,952	13,439
Deferred tax asset and other	3,608	3,868
Total current assets	<u>68,188</u>	<u>74,504</u>
Property and equipment, net	437,508	413,258
Goodwill	62,525	62,525
Intangible assets, net	36,108	37,203
Other assets, net	9,733	9,642
Total assets	<u>\$ 614,062</u>	<u>\$ 597,132</u>
Liabilities and stockholders’ equity:		
Current liabilities:		
Trade accounts payable	\$ 17,279	\$ 14,241
Construction related payables	20,388	4,694
Accrued payroll and payroll related liabilities	40,260	31,476
Unearned revenue, net	20,032	28,187
Accrued liabilities and other	24,925	23,685
Total current liabilities	<u>122,884</u>	<u>102,283</u>
Deferred rent	50,953	44,801
Long-term portion of credit facility	81,500	125,000
Long-term portion of capital lease obligations	8,630	9,211
Other non-current liabilities	9,217	8,918
Total liabilities	<u>273,184</u>	<u>290,213</u>
Stockholders’ equity:		
Common stock, \$0.001 par value: 30,000 shares authorized 17,843 and 17,499 shares issued; 14,345 and 13,999 shares outstanding	18	17
Preferred stock, \$0.001 par value: 3,000 shares authorized; no shares issued and outstanding	—	—
Treasury stock, 3,498 and 3,500 shares, at cost	(108,899)	(107,589)
Paid-in capital	195,979	185,974
Accumulated other comprehensive gain, net of tax	(12)	5
Retained earnings	253,792	228,512
Total stockholders’ equity	<u>340,878</u>	<u>306,919</u>
Total liabilities and stockholders’ equity	<u>\$ 614,062</u>	<u>\$ 597,132</u>

See notes to condensed consolidated financial statements.

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Revenues:				
Restaurant revenue	\$ 226,844	\$ 209,754	\$ 762,647	\$ 724,328
Franchise royalties, fees and other revenues	3,829	3,563	12,674	12,125
Total revenues	<u>230,673</u>	<u>213,317</u>	<u>775,321</u>	<u>736,453</u>
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	57,253	52,066	190,259	182,945
Labor	76,624	71,729	255,154	243,410
Other operating	29,463	28,374	95,016	94,656
Occupancy	17,132	16,309	56,484	53,213
Depreciation and amortization	13,436	13,284	44,589	42,468
Selling, general and administrative	27,481	24,469	93,475	83,920
Pre-opening costs	2,482	1,250	4,607	2,835
Total costs and expenses	<u>223,871</u>	<u>207,481</u>	<u>739,584</u>	<u>703,447</u>
Income from operations	6,802	5,836	35,737	33,006
Other expense:				
Interest expense, net and other	624	1,093	2,387	4,193
Income before income taxes	6,178	4,743	33,350	28,813
Provision for income taxes	1,517	1,210	8,070	6,974
Net income	<u>\$ 4,661</u>	<u>\$ 3,533</u>	<u>\$ 25,280</u>	<u>\$ 21,839</u>
Earnings per share:				
Basic	<u>\$ 0.33</u>	<u>\$ 0.25</u>	<u>\$ 1.78</u>	<u>\$ 1.50</u>
Diluted	<u>\$ 0.32</u>	<u>\$ 0.24</u>	<u>\$ 1.75</u>	<u>\$ 1.48</u>
Weighted average shares outstanding:				
Basic	<u>14,328</u>	<u>14,300</u>	<u>14,189</u>	<u>14,517</u>
Diluted	<u>14,600</u>	<u>14,539</u>	<u>14,472</u>	<u>14,778</u>

See notes to condensed consolidated financial statements.

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Net income	\$ 4,661	\$ 3,533	\$ 25,280	\$ 21,839
Cash flow hedges:				
Decrease in fair value of interest rate swap	(110)	(274)	(22)	(1,036)
Net loss reclassified into interest expense	—	110	—	350
Total change in unrealized loss related to cash flow hedges	(110)	(164)	(22)	(686)
Income tax benefit related to items of other comprehensive income	43	64	5	268
Other comprehensive loss, net of tax	(67)	(100)	(17)	(418)
Total comprehensive income	<u>\$ 4,594</u>	<u>\$ 3,433</u>	<u>\$ 25,263</u>	<u>\$ 21,421</u>

See notes to condensed consolidated financial statements.

RED ROBIN GOURMET BURGERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Forty Weeks Ended	
	October 6, 2013	September 30, 2012
Cash flows from operating activities:		

Net income	\$	25,280	\$	21,839
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		44,589		42,468
Stock-based compensation expense		3,099		3,164
Other, net		(4,196)		1,350
Changes in operating assets and liabilities:				
Unearned revenue		(6,833)		(8,434)
Trade accounts payable and accrued liabilities		13,940		3,890
Other operating assets and liabilities, net		6,303		8,069
Cash provided by operating activities		<u>82,182</u>		<u>72,346</u>
Cash flows from investing activities:				
Purchases of property and equipment		(50,393)		(39,681)
Acquisition of franchise restaurant, net of cash acquired		—		(3,247)
Changes in marketing fund restricted cash and other		—		(98)
Cash used in investing activities		<u>(50,393)</u>		<u>(43,026)</u>
Cash flows from financing activities:				
Borrowings of long-term debt		104,500		—
Payments of long-term debt and capital leases		(148,576)		(24,978)
Payments to acquire treasury stock		(2,503)		(15,654)
Proceeds from exercise of stock options and employee stock purchase plan		7,266		3,142
Tax benefit from exercise of stock options		3,048		—
Cash used in financing activities		<u>(36,265)</u>		<u>(37,490)</u>
Net change in cash and cash equivalents		(4,476)		(8,170)
Cash and cash equivalents, beginning of period		22,440		35,036
Cash and cash equivalents, end of period	\$	<u>17,964</u>	\$	<u>26,866</u>
Supplemental cash flow information:				
Income taxes paid	\$	4,786	\$	3,507
Interest paid, net of amounts capitalized	\$	1,920	\$	4,415

See notes to condensed consolidated financial statements.

[Table of Contents](#)

RED ROBIN GOURMET BURGERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries (“Red Robin” or the “Company”), develops and operates casual-dining restaurants. As of October 6, 2013, the Company owned and operated 350 restaurants located in 33 states. The Company also sells franchises, and there were 135 franchised restaurants, in 21 states and two Canadian provinces as of October 6, 2013. The Company operates its business as one operating and one reportable segment.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Red Robin and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with GAAP 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 period. Some of the more significant estimates included in the preparation of these financial statements pertain to recoverability of long-lived assets, recoverability of goodwill, estimated useful lives of other intangible assets, variable compensation accruals, lease accounting, estimated fair value, self-insurance liabilities, stock-based compensation expense, estimated breakage on unredeemed gift cards and deferred revenue related to our customer loyalty program, legal contingencies, and income taxes. Actual results could differ from those estimates. The results of operations for any interim period are not necessarily indicative of results for the full year.

The accompanying condensed consolidated financial statements of Red Robin have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements on Form 10-K have been condensed or omitted. The condensed consolidated balance sheet as of December 30, 2012, has been derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by generally accepted accounting principles. For further information, please refer to and read these interim condensed consolidated financial statements in conjunction with the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2012, filed with the SEC on February 28, 2013.

The Company’s quarter that ended October 6, 2013 is referred to as third quarter 2013, or the twelve weeks ended October 6, 2013; the quarter ended July 14, 2013 is referred to as second quarter 2013, or the twelve weeks ended July 14, 2013; the first quarter ended April 21, 2013, is referred to as first quarter 2013, or the sixteen weeks ended April 21, 2013; and, together the first, second, and third quarters of 2013 are referred to as the forty weeks ended October 6, 2013. The Company’s quarter that ended September 30, 2012 is referred to as third quarter 2012, or the twelve weeks ended September 30, 2012; the quarter ended July 8, 2012 is referred to as second quarter 2012, or the twelve weeks ended July 8, 2012; the first quarter ended April 15, 2012 is referred to as first quarter 2012, or the sixteen weeks ended April 15, 2012; and, together the first, second, and third quarters of 2012 are referred to as the forty weeks ended September 30, 2012.

Recently Issued Accounting Standards

In January 2013, the Financial Accounting Standards Board (“FASB”) issued *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which clarifies the scope of transactions that are subject to the disclosures about offsetting and will require disclosure of information about the effect or potential effect of financial instrument netting arrangements on financial position. Entities will be required to present both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. This guidance is effective for fiscal years beginning on or after January 1, 2013, and interim periods within those

annual periods. The adoption of this guidance in fiscal 2014 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires entities to present the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the

[Table of Contents](#)

same reporting period. The guidance is effective for fiscal years beginning after December 15, 2012. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

In July 2013, the FASB issued *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which requires entities to present its unrecognized tax benefits net of its deferred tax assets when settlement in this manner is available under the tax law, which would be based on facts and circumstances as of the balance sheet reporting date and would not consider future events. Gross presentation in the notes to the financial statements will still be required. This update does not require any new recurring disclosures and is effective for annual and interim periods beginning after December 15, 2013, which will require us to adopt these provisions in the first quarter of fiscal 2014. The Company is evaluating the impact of this guidance on the Company's consolidated financial statements.

2. Goodwill and Intangible Assets

The following table presents goodwill as of October 6, 2013, and December 30, 2012 (in thousands):

Balance at December 25, 2011	\$	61,769
Acquisition		756
Balance at December 30, 2012	\$	62,525
Acquisitions/dispositions		—
Balance at October 6, 2013	\$	62,525

The Company has no historical goodwill impairment losses in periods prior to those presented in the above table. Refer to Note 5, *Acquisition of Red Robin Franchised Restaurant* for details of the acquisition.

The following table presents intangible assets as of October 6, 2013, and December 30, 2012 (in thousands):

	October 6, 2013			December 30, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:						
Franchise rights	\$ 43,603	\$ (17,225)	\$ 26,378	\$ 43,519	\$ (15,342)	\$ 28,177
Leasehold interests	12,744	(4,887)	7,857	12,744	(4,313)	8,431
Liquor licenses	10,684	(8,811)	1,873	9,095	(8,500)	595
Total	\$ 67,031	\$ (30,923)	\$ 36,108	\$ 65,358	\$ (28,155)	\$ 37,203

There were no impairments of intangible assets during the forty weeks ended October 6, 2013, and September 30, 2012.

The aggregate future amortization expense as of October 6, 2013 is as follows (in thousands):

Remainder of 2013	\$	732
2014		3,282
2015		3,181
2016		3,115
2017		3,055
Thereafter		22,743
Total	\$	36,108

3. Stock-Based Compensation

Under the Company's Second Amended and Restated 2007 Performance Incentive Plan (the "2007 Stock Plan"), various stock options and stock awards may be granted to employees of the Company and any of the Company's subsidiaries, directors of the Company, certain consultants and advisors to the Company or any of its subsidiaries.

[Table of Contents](#)

Stock options are granted with an exercise price equal to the fair market value of shares of the Company's common stock at the grant date. We account for stock-based compensation in accordance with fair value recognition provisions, calculated using the Black-Scholes option pricing model (the "pricing model"). The weighted-average fair value of non-qualified stock options and the related assumptions used in the pricing model were as follows:

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Risk-free interest rate	N/A	N/A	0.7%	0.7%
Expected years until exercise	N/A	N/A	4.2	4.1
Expected stock volatility	N/A	N/A	44.4%	52.8%
Dividend yield	N/A	N/A	0.0%	0.0%
Weighted average Black-Scholes fair value per share at date of grant	N/A	N/A	\$ 15.19	\$ 14.60

The following table presents a summary of the Company's stock-based compensation activity for the forty weeks ended October 6, 2013:

(in thousands)	Stock Options	Restricted Stock Units	Restricted Stock	Performance Stock Units
Outstanding, December 30, 2012	705	180	4	35
Granted	129	72	—	6
Options Exercised/Units Vested	(264)	(104)	(4)	(41)
Cancelled	(44)	(9)	—	—
Outstanding, October 6, 2013	526	139	—	—

We recognized expense from stock-based compensation for the twelve and forty weeks ended October 6, 2013 and September 30, 2012 as follows (in thousands):

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Labor related	\$ 25	\$ 66	\$ 129	\$ 294
Selling, general and administrative related	831	828	2,970	2,870
Total stock-based compensation	\$ 856	\$ 894	\$ 3,099	\$ 3,164

8

[Table of Contents](#)

4. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share amounts are calculated based upon the weighted-average number of shares of common stock and potentially dilutive shares of common stock outstanding during the period. 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 options into common stock. During the twelve and forty weeks ended October 6, 2013, weighted average stock options outstanding of 5,000 and 102,000, were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented. During the twelve and forty weeks ended September 30, 2012, weighted average stock options outstanding of 293,000 and 306,000, 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 effect of outstanding stock options. The computations for basic and diluted earnings per share are as follows (in thousands, except per share data):

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Net income	\$ 4,661	\$ 3,533	\$ 25,280	\$ 21,839
Basic weighted average shares outstanding	14,328	14,300	14,189	14,517
Dilutive effect of stock options and awards	272	239	283	261
Dilutive weighted average shares outstanding	14,600	14,539	14,472	14,778
Earnings per share:				
Basic	\$ 0.33	\$ 0.25	\$ 1.78	\$ 1.50
Diluted	\$ 0.32	\$ 0.24	\$ 1.75	\$ 1.48

5. Acquisition of Red Robin Franchised Restaurant

On June 19, 2012, the Company acquired the assets of one restaurant of one of its franchisees. The purchase price was approximately \$3.2 million. The consolidated statements of operations include the results of operations for this restaurant from the date of acquisition. The pro forma impact of the acquisition on prior periods is not presented as the impact was not material to reported results.

The Company allocated the purchase price to the tangible and intangible assets acquired in the acquisition at their estimated fair values with the remainder allocated to goodwill as follows: \$1.9 million to intangibles, which represent the fair value of franchise rights and liquor licenses, \$756,000 to goodwill, \$540,000 to fixed assets and \$47,000 to inventory. The fair value measurement of tangible and intangible assets and liabilities as of the acquisition date was based on significant inputs not observed in the market and thus represents a Level 3 measurement.

6. Advertising and Marketing Costs

Costs incurred in connection with the advertising and marketing of the Company are included in selling, general and administrative expenses. Advertising and marketing includes salaries and benefits of marketing personnel, advertising, media and marketing materials. Advertising production costs are expensed in the period when the advertising first takes place. Other advertising and marketing costs are expensed as incurred. Advertising and marketing costs were \$8.4 million and \$27.2 million for the twelve and forty weeks ended October 6, 2013 and \$6.9 million and \$24.9 million for the twelve and forty weeks ended September 30, 2012.

Under the Company's franchise agreements, both the Company and the franchisees must contribute a minimum percentage of revenues to two marketing and national media advertising funds (the "Marketing Funds"). These Marketing Funds are used to develop and distribute Red Robin® branded marketing materials, for media purchases and for administrative costs. The Company's portion of costs incurred by the Marketing Funds is recorded as selling, general and administrative expenses in the Company's consolidated statements of income.

7. Derivative and Other Comprehensive Income

The Company enters into derivative instruments for risk management purposes only, including derivatives designated as a cash flow hedge under guidance for derivative instruments and hedging activities. The Company uses interest rate-related derivative instruments to manage its exposure to fluctuations in interest rates. By using these instruments, the Company exposes itself, from time to time, to credit risk 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, which creates credit

9

[Table of Contents](#)

risk for the Company. The Company minimizes the credit risk by entering into transactions with high-quality counterparties whose credit rating is 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 that results 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 takes.

The Company had one interest rate swap at October 6, 2013, and its counterparty is Rabobank International, Utrecht ("Rabobank"). The Company entered into a variable-to-fixed interest rate swap agreement with Rabobank in August 2011 to hedge the floating interest rate on a portion of the term loan under the Company's credit facility. The interest rate swap was effective August 5, 2011, with an initial notional amount of \$74.1 million. In accordance with its original terms, \$6.6 million of the initial \$74.1 million expired in the forty weeks ended October 6, 2013 and \$4.7 million expired in the fifty-three weeks ended December 30, 2012. The remaining notional amount of \$61.9 million as of October 6, 2013, is set to fully expire on June 30, 2015, with a notional hedge amount of \$50.6 million. Under the swap, the Company is required to make quarterly payments based on a fixed interest rate of 1.135%, calculated based on the remaining notional amount. In exchange, the Company receives interest on the notional amount at a variable rate that is based on the 3-month spot LIBOR rate quarterly. The Company entered into this interest rate swap to offset the variability of its interest expense arising out of changes in the variable interest rate for the designated interest payments and designated the swap as a cash flow hedge. Concurrent with the December 14, 2012, refinancing of its then-existing credit facility, the Company de-designated the original hedging relationship for this swap and consequently re-designated the swap on the amended credit facility's \$225 million revolver. Accordingly, changes in fair value of the interest rate swap contract are recorded, net of taxes, as a component of accumulated other comprehensive income, in the accompanying condensed consolidated balance sheets. See Note 8 for information on the fair value of the interest rate swap.

The Company reclassifies the effective gain or loss from accumulated other comprehensive income, net of tax, on the Company's consolidated balance sheet to interest expense on the Company's consolidated statements of income as the interest expense is recognized on the related debt. The reclassifications from accumulated other comprehensive income to net income were immaterial for the twelve and forty week periods ended October 6, 2013.

The following table summarizes the fair value and presentation in the condensed consolidated balance sheets of the interest rate swap as hedging instruments as of October 6, 2013, and December 30, 2012 (in thousands):

Balance Sheet Location	Derivative Liability	
	Fair Value at October 6, 2013	Fair Value at December 30, 2012
Accrued liabilities	\$ 495	\$ 539
Other non-current liabilities	248	677
Total derivative liability	\$ 743	\$ 1,216

The components of accumulated other comprehensive income at the end of each period were as follows (in thousands):

	October 6, 2013	December 30, 2012
Unrealized (loss) gain related to cash flow hedges, pretax	\$ (13)	\$ 9
Tax effect	1	(4)
Accumulated other comprehensive (loss) income, net	\$ (12)	\$ 5

The interest rate swap was highly effective during the twelve and forty weeks ended October 6, 2013. The Company expects the swap to continue to be highly effective during the next twelve months. Additionally, the Company had no obligations at October 6, 2013, to post collateral under the terms of the interest rate swap agreement.

8. Fair Value Measurement

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.

10

[Table of Contents](#)

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

The derivative liability associated with the interest rate swap is considered to be a Level 2 instrument. The interest rate swap was a standard cash flow hedge with a fair value estimated using industry-standard valuation models. Such models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. See Note 7, *Derivative and Other Comprehensive Income*, for the discussion of the derivative liability.

The Company's deferred compensation plan is a nonqualified deferred compensation plan which allows highly compensated employees to defer a portion of their base salary and variable compensation each plan year. In the periods prior to the third quarter 2013, the Company's plan administrator purchased Company-owned whole-life insurance contracts on certain team members to offset the deferred compensation plan obligation. During the third quarter 2013, the Company liquidated these insurance policies and invested the \$3.3 million cash realized from the liquidation in a rabbi trust. Assets of the rabbi trust are invested in certain mutual funds that cover an investment spectrum range from equities to money market instruments. At October 6, 2013, these mutual funds have published market prices and are reported at fair value of \$3.4 million, using Level 1 inputs. The fair value of the trust assets is included in other assets, net. At October 6, 2013, the liability for the deferred compensation plan is recorded at the fair value of the rabbi trust assets and is included in other non-current liabilities.

Prior to the third quarter 2013, the carrying value of both the liability for the deferred compensation plan and associated life insurance policy were equal to their fair value. These agreements were required to be measured at fair value on a recurring basis and were valued using Level 2 inputs. At December 30, 2012, a liability for participant contributions and investment income thereon of \$3.0 million was included in other non-current liabilities. The cash surrender value of these policies was \$2.9 million and was included in other assets, net.

As of October 6, 2013, the Company had no financial assets or liabilities that were measured using Level 3 inputs. The Company also had no non-financial assets or liabilities that were required to be measured at fair value on a recurring basis.

The following table presents our assets and liabilities that are fair valued on a recurring basis as of October 6, 2013 and December 30, 2012 (in thousands):

	October 6, 2013	Level 1	Level 2	Level 3
Assets:				
Investments in rabbi trust	\$ 3,418	\$ 3,418	\$ —	\$ —
Total assets measured at fair value	<u>\$ 3,418</u>	<u>\$ 3,418</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities				
Derivative — interest rate swap	\$ 743	\$ —	\$ 743	\$ —
Total liabilities measured at fair value	<u>\$ 743</u>	<u>\$ —</u>	<u>\$ 743</u>	<u>\$ —</u>
	December 30, 2012	Level 1	Level 2	Level 3
Assets:				
Life insurance policies	\$ 2,920	\$ —	\$ 2,920	\$ —
Total assets measured at fair value	<u>\$ 2,920</u>	<u>\$ —</u>	<u>\$ 2,920</u>	<u>\$ —</u>
Liabilities				
Derivative — interest rate swap	\$ 1,216	\$ —	\$ 1,216	\$ —
Deferred compensation plan	2,974	—	2,974	—
Total liabilities measured at fair value	<u>\$ 4,190</u>	<u>\$ —</u>	<u>\$ 4,190</u>	<u>\$ —</u>

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 sheet. 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

[Table of Contents](#)

facility and the Company's capital lease obligations are considered to be Level 2 instruments. The carrying value of the Company's credit facility as of October 6, 2013, and December 30, 2012, was \$81.5 million and \$125.0 million. The fair value of the Company's credit facility as of October 6, 2013, and December 30, 2012, was approximately \$81.4 million and \$124.4 million. There are \$9.4 million of outstanding borrowings recorded for the Company's capital leases as of October 6, 2013, which have an estimated fair value of \$11.0 million. At December 30, 2012, the carrying amount of the Company's capital lease obligations was \$10.0 million, and the fair value was \$11.8 million.

9. Related Party Transactions

The former president and majority owner of one of the Company's former franchisees served on the Company's board of directors from 2009 to May 2013. The Company purchased 13 Red Robin® restaurants in Washington from this former franchisee in 2006. The retired board member is a principal of and holds, directly or indirectly, interests of between 45% and 100% in each of three privately-held entities that hold the leases for three of the acquired Washington restaurants. These leases were assumed by the Company in connection with the acquisition. Under these leases, the Company recognized rent and other related payments in the amounts of \$0.3 million and \$0.9 million for the twelve and forty weeks ended October 6, 2013 and \$0.2 million and \$0.9 million for the twelve and forty weeks ended September 30, 2012.

10. Commitments and Contingencies

In the normal course of business, there are various claims in process, matters in litigation and other contingencies. These include employment related claims and claims alleging illness, injury or other food quality, health or operational issues. To date, no claims of these types of litigation, certain of which are covered by insurance policies, have had a material effect on us. 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 effect on the Company's financial position and results of operations.

11. Subsequent Events

The Company has evaluated subsequent events and found there to be no events requiring recognition or disclosure through the date of issuance of this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations provides a narrative of our financial performance and condition that should be read in conjunction with the accompanying condensed consolidated financial statements. All comparisons under this heading between 2013 and 2012 refer to the twelve and forty week periods ending October 6, 2013, and September 30, 2012 unless otherwise indicated.

Overview

Red Robin Gourmet Burgers, Inc., a Delaware corporation, together with its subsidiaries ("Red Robin" or the "Company"), primarily develops, operates and franchises casual-dining restaurants with 485 locations as of October 6, 2013. The Company operated 350 Company-owned restaurants located in 33 states comprised of 345 Red Robin® restaurants and five Red Robin's Burger Works®, a smaller non-traditional prototype with a limited menu and limited service. The Company also franchises restaurants, of which there were 135 restaurants in 21 states and two Canadian provinces as of October 6, 2013. The Company operates its business as one operating and one reportable segment.

The following summarizes the operational and financial highlights during the twelve and forty weeks ended October 6, 2013, and our outlook for the remainder of 2013:

- **Revenues.** Revenues increased \$17.4 million, or 8.1%, during the twelve weeks ended October 6, 2013 as compared to the third quarter of 2012 primarily due to an increase in comparable restaurant revenue of 5.7% combined with revenues from new restaurant openings. For the forty weeks ended October 6, 2013, revenues increased \$38.9 million, or 5.3%, primarily due to a 4.2%, or \$28.9 million, increase in comparable restaurant revenues. Further details of performance are described below under Results of Operations.
- **Marketing.** Our Red Robin Royalty™ loyalty program operates in all of our Company-owned restaurants and in 75 of our franchised locations. Engaging our guests through this program is a key part of our marketing strategy and uses offers designed to increase the frequency of guest visits. We are also using the program to generate awareness of new menu items and to engage our guests with smart rewards. We have altered our media strategy and advertising campaign approach in 2013 to one of pulsed national television presence with a spokesperson, and are relying increasingly on digital, social and

[Table of Contents](#)

earned media to deliver our message to our core target audience. Our “Take Back the Bar” initiative continues to increase our alcoholic beverage mix, differentiate our brand and help target adult diners.

- **Brand Transformation Initiative.** As of October 6, 2013, we have completed brand transformation remodels of various types and levels of investment at 24 of our Company-owned Red Robin® restaurants, designed to learn about guest response and test financial returns. In August 2013, we rolled a brand transformational new plating and presentation standard as well as a new spiral menu format across the entire system, Company-owned and franchised. Additionally, we plan to fully remodel 20 more Company-owned Red Robin® restaurants before the end of 2013.
- **Restaurant Development.** We opened six new Red Robin® restaurants during the third quarter of 2013 for a total of 11 new Red Robin® restaurants during the first three quarters of 2013. We plan to open ten additional Red Robin® restaurants in the fourth quarter of 2013 and one Red Robin’s Burger Works®. Looking forward, we expect to open 20 new Red Robin® restaurants in 2014 in addition to several Red Robin’s Burger Works® locations.

We have had five Red Robin’s Burger Works® locations open for the past year. We continue to evaluate the results of different types of trade areas as well as optimize operating performance. The underlying restaurant performance has been mixed with sales at our central business district and lifestyle trade areas performing well and our college campus locations underperforming our expectations. For 2014, we plan to focus our Red Robin’s Burger Works® development efforts in central business district locations while we consider the viability of college campus sites.

Restaurant Data

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

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Company-owned:				
Beginning of period	344	331	339	327
Opened during the period (1) (2)	6	6	11	11
Acquired from franchisee	—	—	—	1
Closed during the period (2)	—	(1)	—	(3)
End of period	350	336	350	336
Franchised:				
Beginning of period	133	131	133	137
Opened during period	2	3	2	3
Sold or closed during period	—	(2)	—	(8)
End of period	135	132	135	132
Total number of Red Robin restaurants	485	468	485	468

(1) Includes two and four Red Robin’s Burger Works® in the twelve and forty ended September 30, 2012.

(2) Excludes one Red Robin® restaurant closed and relocated during the second quarter of 2013 and one Red Robin® restaurant closed and relocated during the third quarter of 2012.

We plan to open ten additional Red Robin® restaurants in the fourth quarter of 2013 and one Red Robin’s Burger Works®, which we expect to fund from our operating cash flows.

Results of Operations

Operating results for each period presented below are expressed as a percentage of total revenues, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant revenue.

This information has been prepared on a basis consistent with our audited 2012 annual financial statements and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information for the periods presented. Our operating results may fluctuate significantly as a result of a variety of factors, and operating results for any period presented are not necessarily indicative of results for a full fiscal year.

[Table of Contents](#)

	Twelve Weeks Ended		Forty Weeks Ended	
	October 6, 2013	September 30, 2012	October 6, 2013	September 30, 2012
Revenues:				
Restaurant	98.3 %	98.3 %	98.4 %	98.4 %
Franchise royalties, fees and other revenues	1.7	1.7	1.6	1.6
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below)				
Cost of sales	25.2	24.8	24.9	25.3
Labor	33.8	34.2	33.5	33.6
Other operating	13.0	13.5	12.5	13.1
Occupancy	7.6	7.8	7.4	7.3
Total restaurant operating costs	79.6	80.3	78.3	79.3

Depreciation and amortization	5.8	6.2	5.8	5.8
Selling, general and administrative	11.9	11.5	12.1	11.4
Pre-opening costs	1.1	0.6	0.6	0.4
Income from operations	2.9	2.7	4.6	4.5
Interest expense, net and other	0.3	0.5	0.3	0.6
Income before income taxes	2.7	2.2	4.3	3.9
Provision for income taxes	0.7	0.6	1.0	0.9
Net income	2.0%	1.7%	3.3%	3.0%

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 revenue and not total revenues.

Total Revenues

(Revenues in thousands)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6, 2013	September 30, 2012	Change		October 6, 2013	September 30, 2012	Change	
	\$	\$	\$	%	\$	\$	\$	%
Restaurant revenue	\$ 226,844	\$ 209,754	\$ 17,090	8.1%	\$ 762,647	\$ 724,328	\$ 38,319	5.3%
Franchise royalties, fees and other revenue	3,829	3,563	266	7.5%	12,674	12,125	549	4.5%
Total revenues	\$ 230,673	\$ 213,317	\$ 17,356	8.1%	\$ 775,321	\$ 736,453	\$ 38,868	5.3%
Average weekly net sales volume in comparable restaurants (1)	\$ 54,998	\$ 52,026	\$ 2,972	5.7%	\$ 56,327	\$ 54,066	\$ 2,261	4.2%
Average weekly net sales volume in Company-owned restaurants (2)	\$ 55,029	\$ 52,779	\$ 2,250	4.3%	\$ 56,207	\$ 55,081	\$ 1,126	2.0%
Total operating weeks	4,168	3,959	209	5.3%	13,723	13,115	608	4.6%
Net sales per square foot in Company-owned restaurants	\$ 101	\$ 96	\$ 5	5.2%	\$ 341	\$ 328	\$ 13	4.0%

- (1) Average weekly net sales volume in comparable restaurants represents the total restaurant revenue for comparable casual-dining restaurants using the most closely aligned calendar weeks (which differs from our 2012 fiscal calendar), divided by the number of operating weeks in the period.
- (2) Average weekly net sales volume in Company-owned restaurants represents the total restaurant revenue for all Company-owned casual-dining restaurants for each time period presented, divided by the number of operating weeks in the period.

Restaurant revenue during the twelve weeks ended October 6, 2013, which is comprised almost entirely of food and beverage sales, increased \$17.1 million compared to third quarter 2012. This increase was primarily due to an \$11.6 million, or 5.7%, increase in our comparable restaurant revenue. The comparable sales increase was comprised of a 4.6% increase in average guest check combined with an 1.1% increase in guest counts. The remaining \$5.5 million increase in restaurant revenue resulted primarily from an increase in new restaurant revenue, compared to third quarter 2012. The comparability of restaurant revenue is impacted by approximately \$1.0 million of revenue recognized in the third quarter 2012 from changes to Red Robin Royalty™ incentives.

Table of Contents

Restaurant revenue during the forty weeks ended October 6, 2013, increased \$38.3 million compared to the forty weeks ended September 30, 2012 due primarily to a \$28.9 million, or 4.2%, increase in our comparable restaurant revenue. The comparable sales increase was due to a combination of higher prices, increased items sold per guest and product mix. The remaining \$9.4 million increase in restaurant revenue was primarily due to an increase in new restaurant revenue, compared to the forty weeks ended September 30, 2012.

Franchise royalties, fees and other revenue, which consist primarily of royalty income and initial franchise fees, increased 7.5% and 4.5% for the twelve and forty weeks ended October 6, 2013. The twelve and forty week increase is primarily attributable to the increased sales at franchise locations. Our franchisees reported that comparable restaurant sales increased 4.8% for U.S. restaurants and increased 4.1% for Canadian restaurants for the third quarter of 2013 compared to the third quarter of 2012. For the forty weeks ended October 6, 2013, our franchisees reported that comparable restaurant sales for U.S. restaurants increased 1.6% and Canadian restaurants increased 4.5% from the forty week period ended September 30, 2012.

Cost of Sales

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6, 2013	September 30, 2012	Change		October 6, 2013	September 30, 2012	Change	
	\$	\$	\$	%	\$	\$	\$	%
Cost of sales	\$ 57,253	\$ 52,066	\$ 5,187	10.0%	\$ 190,259	\$ 182,945	\$ 7,314	4.0%
As a percentage of restaurant revenue	25.2%	24.8%		0.4%	24.9%	25.3%		(0.4)%

Cost of sales, comprised of food and beverage costs, is variable and generally fluctuates with sales volume. For the twelve weeks ended October 6, 2013, cost of sales as a percentage of restaurant revenue increased 40 basis points, compared to the same period in the prior year. This increase was primarily driven by higher costs of canned and dry goods, non-alcoholic beverage costs and dairy products, partially offset by lower produce costs.

For the forty weeks ended October 6, 2013, cost of sales as a percentage of restaurant revenue decreased 40 basis points from the forty weeks ended September 30, 2012. This decrease was primarily driven by lower commodity costs, including ground beef, seafood, cheese, french fry and produce costs.

Labor

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6, 2013	September 30, 2012	Change		October 6, 2013	September 30, 2012	Change	
	\$	\$	\$	%	\$	\$	\$	%
Labor	\$ 76,624	\$ 71,729	\$ 4,895	6.8%	\$ 255,154	\$ 243,410	\$ 11,744	4.8%
As a percentage of restaurant revenue	33.8%	34.2%		(0.4)%	33.5%	33.6%		(0.1)%

Labor costs include restaurant-level hourly wages and management salaries as well as related taxes and benefits. For the twelve weeks ended October 6, 2013, labor costs as a percentage of restaurant revenue decreased 40 basis points. This decrease was primarily driven by a 60 basis point decrease in group insurance and workers' compensation

insurance costs and a 20 basis point decrease in hourly labor costs resulting from sales leverage related to higher revenue. This decrease was partially offset by a 20 basis point increase in training costs and a 20 basis point increase in management bonus.

For the forty weeks ended October 6, 2013, labor as a percentage of restaurant revenue decreased 10 basis points from the same period in 2012. This decrease was primarily driven by a 20 basis point decrease in group insurance and workers' compensation insurance costs and a 20 basis point decrease in hourly labor costs resulting from sales leverage related to higher revenue. This decrease was partially offset by a 10 basis point increase in training costs and a 20 basis point increase in management bonus.

Other Operating

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6,	September 30,	Change		October 6,	September 30,	Change	
	2013	2012	\$	%	2013	2012	\$	%
Other operating	\$ 29,463	\$ 28,374	\$ 1,089	3.8%	\$ 95,016	\$ 94,656	\$ 360	0.4%
As a percentage of restaurant revenue	13.0%	13.5%		(0.5)%	12.5%	13.1%		(0.6)%

Other operating costs include costs such as restaurant supplies, utilities, and other costs such as service repairs and maintenance costs. For the twelve weeks ended October 6, 2013, other operating costs as a percentage of restaurant revenue decreased 50 basis points over prior year. This decrease resulted from a 20 basis point decrease in supply and utility costs and a 40 basis point decrease

15

Table of Contents

attributable to lower promotional activities. This decrease was partially offset by a 10 basis point increase in service and maintenance costs.

For the forty weeks ended October 6, 2013, other operating costs as a percentage of restaurant revenue decreased 60 basis points, primarily due to lower promotional activities and supply costs.

Occupancy

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6,	September 30,	Change		October 6,	September 30,	Change	
	2013	2012	\$	%	2013	2012	\$	%
Occupancy	\$ 17,132	\$ 16,309	\$ 823	5.0%	\$ 56,484	\$ 53,213	\$ 3,271	6.1%
As a percentage of restaurant revenue	7.6%	7.8%		(0.2)%	7.4%	7.3%		0.1%

Occupancy costs include fixed rents, contingent rents, common area maintenance charges, real estate and personal property taxes, general liability insurance and other property costs. Occupancy costs incurred prior to opening our new restaurants are included in pre-opening costs. For the twelve weeks ended October 6, 2013, occupancy costs as a percentage of restaurant revenue decreased 20 basis points over prior year, primarily due to leverage from higher restaurant sales volumes on the fixed rents. Occupancy costs increased \$823,000, or 5%, over prior year. This increase was primarily due to the increase in fixed rents related to the additional restaurants opened since the third quarter 2012 combined with the increase in contingent rents resulting from higher sales volumes. Our fixed rents for the twelve weeks ended October 6, 2013 and September 30, 2013 were \$11.0 million and \$10.5 million.

For the forty weeks ended October 6, 2013, occupancy costs as a percentage of restaurant revenue increased 10 basis points and occupancy costs increased \$3.3 million, or 6.1%, over prior year. The increase was primarily due to the increase in fixed rents related to the additional restaurants opened since the third quarter 2012. Our fixed rents for the forty weeks ended October 6, 2013 and September 30, 2012 were \$36.3 million and \$34.2 million.

Depreciation and Amortization

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6,	September 30,	Change		October 6,	September 30,	Change	
	2013	2012	\$	%	2013	2012	\$	%
Depreciation and amortization	\$ 13,436	\$ 13,284	\$ 152	1.1%	\$ 44,589	\$ 42,468	\$ 2,121	5.0%
As a percentage of restaurant revenue	5.8%	6.2%		(0.4)%	5.8%	5.8%		0.0%

Depreciation and amortization includes depreciation of capital investments for restaurants and corporate assets as well as amortization of acquired intangible assets. Depreciation and amortization as a percentage of restaurant revenue decreased 40 basis points for the twelve weeks ended October 6, 2013, primarily due to leverage from higher restaurant sales volumes on these fixed expenses. Depreciation and amortization increased \$152,000, or 1.1%, over prior year, primarily due to the increase in depreciation expenses related to new restaurants opened since the third quarter 2012, partially offset by the decrease in amortization expenses resulting from fully amortized certain intangible assets.

For the forty weeks ended October 6, 2013, depreciation and amortization increased \$2.1 million, or 5.0% over prior year, primarily due to the increase in depreciations expenses related to new restaurants opened since the third quarter 2012.

Selling, General and Administrative

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6,	September 30,	Change		October 6,	September 30,	Change	
	2013	2012	\$	%	2013	2012	\$	%
Selling, general and administrative	\$ 27,481	\$ 24,469	\$ 3,012	12.3%	\$ 93,475	\$ 83,920	\$ 9,555	11.4%
As a percentage of restaurant revenue	11.9%	11.5%		0.4%	12.1%	11.4%		0.7%

Selling, general and administrative costs include all corporate and administrative functions. Components of this category include corporate, regional and franchise support salaries and benefits, travel, information systems, training, office rent, professional and consulting fees, board of directors' expenses, legal expenses and marketing costs. For the twelve weeks ended October 6, 2013, selling, general and administrative costs increased 12.3%, or \$3.0 million, over the twelve weeks ended September 30, 2012, driven primarily by an increase in salaries and benefits due to investments in talent to support value-enhancing initiatives and higher incentive based compensation.

16

Table of Contents

For the forty weeks ended October 6, 2013, selling, general and administrative costs increased 11.4%, or \$9.6 million, due primarily to an increase in salaries and benefits

and higher incentive based compensation.

Pre-opening Costs

(In thousands, except percentages)	Twelve Weeks Ended				Forty Weeks Ended			
	October 6,	September 30,	Change		October 6,	September 30,	Change	
	2013	2012	\$	%	2013	2012	\$	%
Pre-opening costs	\$ 2,482	\$ 1,250	\$ 1,232	98.6%	\$ 4,607	\$ 2,835	\$ 1,772	62.5%
As a percentage of restaurant revenue	1.1%	0.6%		0.5%	0.6%	0.4%		0.2%

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, travel expenses for our training teams, the cost of food and beverages used in training, marketing costs, occupancy costs incurred prior to opening, and other direct costs related to the opening of new restaurants. Our pre-opening costs fluctuate from period to period, depending upon, but not limited to, the number of restaurant openings, the size of the restaurants being opened and the location of the restaurants. Pre-opening expenses for any given quarter will typically include expenses associated with restaurants opened during the quarter as well as expenses related to restaurants opened towards the end of the prior quarter and restaurants opening in subsequent quarters.

Pre-opening costs increased \$1.2 million and \$1.8 million for the twelve and forty weeks ended October 6, 2013 compared to the twelve and forty weeks ended September 30, 2012 primarily due to the increased number of Company-owned restaurants under construction and planned to open in the fourth quarter of 2013. We anticipate opening 22 restaurants in fiscal 2013 compared to the 14 that were opened in fiscal 2012.

Interest Expense, Net and Other

Interest expense, net and other was \$0.6 million and \$1.1 million for the twelve weeks ended October 6, 2013, and September 30, 2012 and \$2.4 million and \$4.2 million for the forty weeks ended October 6, 2013, and September 30, 2012. Interest expense, net and other for the twelve and forty weeks ended October 6, 2013 decreased over the prior year periods due primarily to lower average debt balances in addition to a decrease in our borrowing rate. Our weighted-average interest rate was 2.6% and 2.7% for the twelve and forty weeks ended October 6, 2013, compared to 4.2% and 3.8% for the twelve and forty weeks ended September 30, 2012.

Provision for Income Taxes

The effective income tax rate for the third quarter 2013 was 24.6% compared to 25.5% for the third quarter 2012. The effective income tax rate for the forty weeks ended October 6, 2013 and September 30, 2012 was 24.2%. We anticipate that our full year fiscal 2013 effective tax rate will be approximately 24%.

Liquidity and Capital Resources

General. Cash and cash equivalents decreased \$4.4 million to \$18.0 million at October 6, 2013, from \$22.4 million at the beginning of the fiscal year. 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, and maintain the flexibility to use excess cash to opportunistically repurchase our common stock and execute our long term strategic initiatives.

[Table of Contents](#)

Cash Flows

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

	Forty Weeks Ended	
	October 6, 2013	September 30, 2012
Net cash provided by operating activities	\$ 82,182	\$ 72,346
Net cash used in investing activities	(50,393)	(43,026)
Net cash used in financing activities	(36,265)	(37,490)
Net decrease in cash and cash equivalents	\$ (4,476)	\$ (8,170)

Operating Cash Flows

Net cash flows provided by operating activities were \$82.2 million for the forty weeks ended October 6, 2013, compared to \$72.3 million for the same period in 2012. Of the \$9.9 million increase, approximately \$10.1 million relates to the acceleration of payments to vendors at the end of fiscal year 2012 in order to aid in the conversion to our new information technology system, an increase in accrued liabilities related to restaurant construction and remodeling, as well as an increase in accrued payroll costs. In addition, approximately \$13.7 million of the increase relates to profit from restaurant operations due to increased sales and lower operating costs, partially offset by a \$9.6 million increase in salaries, benefits and incentive-based compensation and a \$4.3 million increase in account receivables as a result of increased third party gift card sales.

Investing Cash Flows

Net cash flows used in investing activities were \$50.4 million for the forty weeks ended October 6, 2013, compared to \$43.0 million for the same period in 2012. The increase over prior year is due primarily to investments in new restaurants and restaurant remodels, partially offset by decreases in technology infrastructure and, to a lesser extent, maintenance capital. The following table lists the components of our investing activities for the forty weeks ended October 6, 2013 (in millions):

	Forty Weeks Ended October 6, 2013
New restaurants	\$ 32,412
Restaurant remodels	3,822
Restaurant maintenance capital	7,034
Investments in technology infrastructure and other	7,125
Net cash used in investing activities	\$ 50,393

Financing Cash Flows

Cash used in our financing activities decreased \$1.2 million from \$37.5 million for the forty weeks ended September 30, 2012, to \$36.3 million for the forty weeks ended October 6, 2013. This decrease was primarily due to a decrease in cash used to repurchase the Company's common stocks, offset by an increase in proceeds received from the exercise of stock options and the tax benefit thereon, as well as an increase in discretionary debt payments driven by strong cash flow during the first three quarters.

Credit Facility. On December 14, 2012, we entered into a new credit facility ("New Credit Facility") with a consortium of banks, thereby terminating our previous credit

facility, which had been amended and restated on May 6, 2011 (“Previous Facility”). The New Credit Facility provides for a \$225 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 the Company maintains the option to increase this credit facility in the future, subject to lenders’ participation, by up to an additional \$100 million in the aggregate. Borrowings under the New Credit Facility 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 Prime Rate, (b) the Federal Funds Rate plus 0.50% and (c) LIBOR for an interest period of one month plus 1%). This \$225 million revolving line of credit matures on December 14, 2017. Borrowings under the New Credit Facility are secured by first priority liens and security interests in substantially all of our assets, which include the capital stock of our certain 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. We do not believe that any of our lenders will be unable to fulfill their lending commitments under our New Credit Facility. Loan origination costs associated with the New Credit Facility are included as deferred costs in other assets, net in the accompanying consolidated balance sheet. As of October 6, 2013, we had outstanding borrowings under the New Credit Facility of \$81.5 million.

[Table of Contents](#)

In August 2011, we entered into a variable-to-fixed interest rate swap agreement with Rabobank International, Utrecht (“Rabobank”) to hedge the floating interest rate on a portion of the term loan under our Previous Facility. The interest rate swap had an effective date of August 5, 2011, and an initial notional amount of \$74.1 million. In accordance with its original terms, \$6.6 million of the initial \$74.1 million expired in the forty weeks ended October 6, 2013 and \$4.7 million expired in the fifty-three weeks ended December 30, 2012. The remaining notional amount is \$61.9 million as of October 6, 2013 and is set to fully expire on June 30, 2015, with a notional hedge amount of \$50.6 million. Under the swap, we are required to make quarterly payments based on a fixed interest rate of 1.135%, calculated based on the remaining notional amount. In exchange, we receive interest on the notional amount at a variable rate that is based on the 3-month spot LIBOR rate quarterly. Concurrent with the December 14, 2012 refinancing of the Previous Facility, the Company undesignated the original hedging relationship for this swap and consequently re-designated the swap on the New Credit Facility’s \$225 million revolver.

Covenants. We are subject to a number of customary covenants under our New Credit Facility, including limitations on additional borrowings, acquisitions, stock repurchases, sales of assets, and dividend payments. As of October 6, 2013, we were in compliance with all debt covenants.

Debt Outstanding. Total debt outstanding decreased \$44.1 million to \$90.9 million at October 6, 2013, from \$135.0 million at December 30, 2012, primarily due to debt payments on the New Credit Facility of \$148.6 million, partially offset by borrowings of \$104.5 million.

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 inflation had a negative impact on our financial condition and results of operations during 2013, 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 2013 or into the future. We anticipate that inflation will continue to have a negative impact in fiscal year 2013 for food and beverage items not covered by fixed price agreements (See Item 3) and that in 2014 we will be impacted by wage inflation, commodity inflation and increased utility costs.

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 decrease.

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.

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

[Table of Contents](#)

economic environment, and we might obtain different results if we used different assumptions or conditions. We had no significant changes in our critical accounting policies and estimates since our last annual report. Our critical accounting estimates are contained in our Annual Report on Form 10-K for the fiscal year ended December 30, 2012.

Recently Issued Accounting Standards

In January 2013, the Financial Accounting Standards Board (“FASB”) issued *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which clarifies the scope of transactions that are subject to the disclosures about offsetting and will require disclosure of information about the effect or potential effect of financial instrument netting arrangements on financial position. Entities will be required to present both net (offset amounts) and gross information in the notes to the financial statements for relevant assets and liabilities that are offset. This guidance is effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance in fiscal 2014 is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2013, the FASB issued *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, which requires entities to present the effects

on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance is effective for fiscal years beginning after December 15, 2012. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements.

In July 2013, the FASB issued *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which requires entities to present its unrecognized tax benefits net of its deferred tax assets when settlement in this manner is available under the tax law, which would be based on facts and circumstances as of the balance sheet reporting date and would not consider future events. Gross presentation in the notes to the financial statements will still be required. This update does not require any new recurring disclosures and is effective for annual and interim periods beginning after December 15, 2013, which will require us to adopt these provisions in the first quarter of fiscal 2014. The Company is evaluating the impact of this guidance on the Company's consolidated financial statements.

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, and Section 21E of the Securities Exchange Act of 1934, as amended. 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," "estimate," "expect," "intend," "plan," "project," "may," "will," "would" and similar expressions. Certain forward-looking statements are included in this Quarterly Report on Form 10-Q, principally in the sections captioned "Financial Statements" and "Management's Discussion and Analysis". Forward-looking statements in this report include, among other things: our brand transformation initiatives; expectations about our interest-rate swaps; anticipated number of new restaurants; anticipated funding for new restaurant openings; anticipated Red Robin's Burger Works[®] development efforts; expected uses for available cash flow; anticipated effective tax rate for 2013; beliefs about inflation and commodity and utility costs and the effect of the adoption of new accounting standards on our financial and accounting systems and analysis programs.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those we express in these forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the effectiveness of our business improvement initiatives; effectiveness of our marketing campaign; uncertainty regarding general economic conditions and economic recovery; 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 labor and energy costs; 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; the effectiveness of our conversion to our new technology system; costs and other effects of legal claims by team members, franchisees, customers, vendors, stockholders and others, including settlement of those claims; effectiveness of management strategies and decisions; weather conditions and related events in regions where our restaurants are operated; changes in accounting standards policies and practices or related interpretations by auditors or regulatory entities; and other risk factors described from time to time in our SEC reports, including the Company's most recent Annual Report on Form 10-K for the fiscal year ended December 30, 2012, filed with the SEC on February 28, 2013.

[Table of Contents](#)

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. 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 arising after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

Item 3. Quantitative and Qualitative Disclosures About Market 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: an Alternate Base Rate ("ABR"), based on the Prime Rate plus 0.50% to 1.25%, or the LIBOR, based on the relevant one, three or six-month LIBOR, at our discretion, plus 1.50% to 2.25%. The spread, or margin, for ABR and LIBOR loans under the New Credit Facility is subject to quarterly adjustment based on our then current leverage ratio, as defined by the credit agreement. As of October 6, 2013, we had \$20.0 million of borrowings subject to variable interest rates that were not hedged with an interest rate-related derivative instrument. A 1.0% change in the effective interest rate applied to these loans would have resulted in pre-tax interest expense fluctuation of \$0.2 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 used an interest rate swap and may use other means such as caps to manage our net exposure to interest rate changes related to our borrowings. As appropriate, on the date derivative contracts are entered into, we designate derivatives as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), or a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). Refer to Note 7, *Derivative and Other Comprehensive Income*, of Notes to Condensed Consolidated Financial Statements of this report.

Primarily all of our transactions are conducted, and our accounts are denominated, in United States dollars. Accordingly, we are not exposed to significant foreign currency risk.

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 October 6, 2013, approximately 70% of our estimated annual food and beverage purchases for the remainder of the fiscal year are covered by fixed price contracts, which are scheduled to expire at various times through the end of the fiscal year. 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the management of the Company, ("Management"), including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. The Company's CEO and CFO have concluded that, based upon the evaluation of disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act), the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

During the first quarter of 2013, the Company completed the first phase of its new Enterprise Resource Planning (“ERP”) system implementation, including the general ledger, accounts receivable, accounts payable and project modules, as part of a multi-year plan to integrate and upgrade our operational and financial systems and processes. The system is expected to replace legacy systems and integrate with the core financial systems.

The implementation of this new ERP system results in changes to certain of the Company’s processes and procedures for internal control over financial reporting. The Company has conducted, and through the remaining phases of implementation will continue to

[Table of Contents](#)

conduct, extensive pre-implementation and post-implementation monitoring, testing and process modifications to ensure the effectiveness of internal controls over financial reporting. The Company has not experienced any significant difficulties to date in connection with the implementation or the operation of the new ERP system.

There were no other 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.

PART II - OTHER INFORMATION

Item 1. 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 or other 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 1A. Risk Factors

A description of the risk factors associated with our business is contained in Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the fiscal year ended December 30, 2012 filed with the SEC on February 28, 2013. There have been no material changes to our Risk Factors disclosed in our 2012 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the forty weeks ended October 6, 2013, the Company did not have any sales of securities in transactions that were not registered under the Securities Act of 1933, as amended, 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 third quarter 2013.

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 Number (or Approximate Dollar Value) of Shares (or Units) that May Yet be Purchased Under the Plan
August 12, 2013 – September 8, 2013	20,458	\$ 67.08	20,458	\$ 48,627,675
September 9, 2013 – October 6, 2013	16,430	\$ 68.80	36,888	\$ 47,497,242
Pursuant to Publicly Announced Plans(2)	36,888	\$ 67.85		

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

(2) In November 2012, the Company’s board of directors re-authorized a repurchase of up to \$50 million of the Company’s common stock. This authorization became effective on January 1, 2013, and will terminate upon completing the repurchase of \$50 million of common stock unless earlier terminated by the Company’s board of directors. 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 may be suspended or discontinued at any time. Since January 1, 2013, the Company has purchased 36,888 shares for a total of \$2.5 million. As of October 6, 2013, there was approximately \$47.5 million remaining under the current board authorization for future stock repurchases.

[Table of Contents](#)

Item 6. Exhibits

Exhibit Number	Description
10.1	Employment Agreement by and between Red Robin Gourmet Burgers, Inc. and Michael L. Kaplan, dated September 30, 2013.
10.2	First Amendment to the Red Robin Gourmet Burgers, Inc. Deferred Compensation Plan, dated October 28, 2013.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer

101 The following financial information from the Quarterly Report on Form 10-Q of Red Robin Gourmet Burgers, Inc. for the quarter ended October 6, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at October 6, 2013 and December 30, 2012; (ii) Condensed Consolidated Statements of Operations for the twelve and forty weeks ended October 6, 2013 and September 30, 2012; (iii) Condensed Consolidated Statements of Comprehensive Income for the twelve and forty weeks ended October 6, 2013 and September 30, 2012; (iv) Condensed Consolidated Statements of Cash Flows for the forty weeks ended October 6, 2013 and September 30, 2012; and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.*

* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

23

[Table of Contents](#)

SIGNATURE

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

Red Robin Gourmet Burgers, Inc.

November 8, 2013
(Date)

/s/ Stuart B. Brown
Stuart B. Brown
Chief Financial Officer

24

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement") is made as of this 30th day of September, 2013, by and between RED ROBIN GOURMET BURGERS, INC., a Delaware corporation (the "Company"), and Michael L. Kaplan ("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 October 1, 2013 (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 Chief Legal Officer of the Company, with such duties and responsibilities that are customary for public company chief legal officer positions. In addition, the Chief Executive Officer may assign Executive such duties and responsibilities that are not substantially inconsistent with his position as Chief Legal 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 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.

1

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 \$335,000.00, with such salary to be adjusted at such times, if any, and in such amounts as recommended by the Chief Executive Officer and approved by the Board or a committee thereof. Executive's Annual Base Salary shall be subject to annual review by the Chief Executive Officer and the Board 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"). For the 2013 fiscal year, the Annual Bonus shall be targeted at 70% of Executive's Annual Base Salary (pro-rated for 2013 and other partial years of employment). 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.

(c) Equity Awards. On the Effective Date, Executive will receive an equity award pursuant to the Company's Second Amended and Restated 2007 Performance Incentive Plan (the "Plan") as follows: time-vested restricted stock units having a grant date target value of \$20,000, of which 25% shall vest on each of the first, second, third and fourth anniversaries of the Effective Date. For 2014, Executive's long-term incentive grant will be guaranteed at 80% of his Annual Base Salary. All future annual equity awards granted to Executive shall be contingent on the attainment of certain performance criteria established with respect to such award by the Board and the Compensation Committee in their sole discretion.

(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

2

documentation of the incurrence and purpose of such expenses (collectively referred to herein as "Expense Policies").

(iii) Vacation. Executive shall be entitled to no less than three (3) weeks of paid vacation and/or paid time off per calendar year (as prorated for partial years) in accordance with the Company's policies on accrual and use 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 \$833.33.

(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 relocation expenses as set forth below (inclusive of the Relocation Gross-Up (as defined below)) ("Relocation Expenses"), subject to Employer's customary payroll practices and legal requirements regarding withholding. The Company shall also provide Executive with a tax gross-up for applicable federal, state and local taxes paid by Executive in connection with the reimbursement provided under this Section 3(d)(v) and the tax gross-up payment itself (the "Relocation Gross-Up"). The Relocation Gross-Up shall be paid no later than April 15th of the year following the year to which such taxable income relates. The Relocation Expenses shall include (A) any brokerage commissions incurred in the sale of Executive's current home (up to 6% of the sales price of Executive's current home), (B) new loan financing fees, (C) up to one "point" on a new mortgage loan, and (D) other costs associated with buying or selling a home in an amount not to exceed \$30,000. In addition, Relocation Expenses shall be provided for (A) reasonable expenses actually incurred by Executive to move personal effects from Scottsdale, Arizona to the Denver, Colorado metropolitan area, (B) reasonable costs incurred for round trips between Denver, Colorado and Scottsdale, Arizona to search for a home and (C) reimbursement for rent, electricity, gas and water expenses actually incurred by Executive for interim housing in the Denver, Colorado metropolitan area for a period of up to nine months commencing on the Effective Date (or such earlier date as Executive is no longer incurring such interim housing expenses). Notwithstanding the foregoing, Relocation Expenses shall not include "loss on sale" protection for Executive's current home. The Company's total reimbursement obligation in respect of the Relocation Expenses shall not exceed \$400,000. If Executive terminates his employment without Good Reason or is terminated by the Company for Cause prior to the first anniversary of the Effective Date, Executive shall be required to repay the Company the gross amount of the Relocation Expenses incurred pursuant to this Section 3(d)(v) within forty-five days of the termination date. Executive shall submit to the Company receipts and other applicable documentation evidencing the Relocation Expenses, and the Company shall remit payment for such Relocation Expenses in accordance with its standard accounts payable practices, but in any event no later than the last day of the calendar year following the calendar year in which the expense was incurred. In no event shall Reimbursement Expenses incurred in one year affect reimbursements or payments or benefits due or payable in any other calendar year.

3

(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 (d)(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 by delivery of not less than fourteen (14) days' advance written notice to the Company of the effective date of termination.

(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 his legal representatives under this Agreement, other than for (A) payment of the sum of (1) Executive's Annual Base Salary through the date of termination to the extent not theretofore paid, and (2) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1) and (2) shall be hereinafter referred to as the "Accrued Obligations"), which Accrued Obligations 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; 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; provided, however, that as conditions precedent to receiving the payments and benefits provided for in this Section 4(f)(i) in the event of Executive's resignation (other than payment of the Accrued Obligations or payments or benefits due under employee benefit plans),

4

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 45 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)(i) (other than payment of the Accrued Obligations or payments or benefits due under employee benefit plans) shall be forfeited.

(ii) By the Company without Cause or by Executive for Good Reason (Before or Following a Change in Control). 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 (in either case before, or within twenty-four (24) months following a Change in Control), this Agreement shall terminate without further obligations to Executive other than:

(A) payment of Accrued Obligations through the effective date of termination in a lump sum in cash within 30 days of the effective date of termination;

(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 30 days of the effective date of termination, subject to standard withholdings and other authorized deductions;

(C) payment of Executive's target Annual Bonus for the fiscal year of the effective date of termination in a lump sum in cash within 30 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 Obligations), 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 45 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 Obligations) 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 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(f)(iii) shall prevent Executive from otherwise challenging in a subsequent arbitration proceeding

5

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 or threatened breach by Executive of his 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 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 months after the date of termination of Executive's employment as Chief Legal Officer (the "Restrictive Period"), Executive shall not, in the state of Colorado 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 his name to be used by, any business that, in the reasonable judgment of the Board, competes with the Company and its subsidiaries in the burger focused restaurant business (a "Competitive Activity"). In making its judgment as to whether any business is engaged in a 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").

6

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 Director or higher 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 Director or higher 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 he shall not take with him 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

7

"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; provided that Company gives written notice to the Executive of the existence of such a condition within 90 days of the initial existence of the condition and the Executive has at least 30 days from the date when such notice is provided to cure the condition, if curable.
- (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 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,

8

including, without limitation, commission of a felony, fraud, embezzlement or other crime involving moral turpitude.

“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

9

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 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 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 Legal Officer; provided that Executive gives written notice to the Company of the existence of such a condition within 90 days of the initial existence of the

condition and 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 or upon a Change in Control Event.

14. Arbitration. 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

10

Judicial Arbitrator 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 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. 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

11

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

12

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 \$100,000 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

13

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.

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 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:

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado 80202
Attention: Ronald R. Levine, II
Facsimile No.: 303-893-1379

If to Executive, to:

Michael L. Kaplan
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.

14

(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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15

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/ Michael L. Kaplan
Michael L. Kaplan

16

**FIRST AMENDMENT TO THE
RED ROBIN GOURMET BURGERS, INC.
DEFERRED COMPENSATION PLAN**

This FIRST AMENDMENT (the "Amendment") to the RED ROBIN GOURMET BURGERS, INC. DEFERRED COMPENSATION PLAN (the "Plan") is made as of this 28th day of October 2013, by the Compensation Committee (the "Committee") of the Board of Directors of Red Robin Gourmet Burgers, Inc. a Delaware corporation (the "Company").

INTRODUCTION

The Company maintains the Plan for the benefit of a select group of management and/or highly-compensated employees of the Company and its affiliates pursuant to a Plan document dated November 19, 2008. Section 8.8 of the Plan provides that the Committee may amend the Plan. The Committee now wishes to amend the Plan to reflect certain changes in the administration of future deferrals.

AMENDMENT

NOW THEREFORE, effective November 1, 2013, the Committee does hereby amend the Plan as follows:

1. By adding the following to the end of Section 1.1(p):

"Notwithstanding the foregoing, with respect to amounts deferred pursuant to Deferral Election Forms submitted on or after November 1, 2013, the term 'Payment Date' shall mean: (1) with respect to distributions pursuant to an In-Service Distribution Schedule for a Plan Year, the date specified by the Participant in accordance with the procedures established by the Committee, and (2) with respect to distributions pursuant to a Termination Distribution Schedule, the first regularly scheduled pay day following the end of the six-month period following the Participant's Termination of Employment. In no event shall the Payment Date pursuant to a Termination Distribution Schedule for any Participant occur before the end of the six -month period following the Participant's Termination of Employment."

2. By deleting Plan Section 3.1(c)(2) effective November 1, 2013.

3. By substituting the following for the first sentence of Section 6.1(a):

"With respect to amounts deferred pursuant to Deferral Election Forms submitted on or after November 1, 2013, in the case of a Participant who incurs a Termination of Employment and has an Account balance of more than \$50,000 at the time of such Termination of Employment, the Participant's vested Account shall be paid to the Participant in a lump sum on the Participant's Payment Date, unless the Participant has properly submitted a Termination Distribution Schedule pursuant to Section 3.1(d)."

4. By adding the following to the end of Section 6.1(a)(2):

"Effective with respect to amounts deferred pursuant to Deferral Election Forms submitted on or after November 1, 2013, a Participant's Termination Distribution Schedule may provide for substantially equal annual installments over a period of up to 15 years."

5. By adding the following to the end of Plan Section 6.2:

"Notwithstanding the foregoing, effective with respect to amounts deferred pursuant to Deferral Election Forms submitted on or after November 1, 2013: (1) payments pursuant to a Participant's In-Service Distribution Schedule with respect to amounts deferred in a given Plan Year shall not be distributed earlier than one year from the last day of the Plan Year for which the deferrals are made, and; (2) in the case of a Participant with an Account balance of more than \$25,000 as of the applicable Payment Date, an In-Service Distribution Schedule may provide for payment in the form of a lump sum or annual installments payable over a period of up to 15 years."

Except as expressly modified by this First Amendment, the Plan shall otherwise remain in full force and effect.

[Signature page follows]

IN WITNESS WHEREOF, the Committee has executed this First Amendment as of the day and year first above written.

Date: October 28, 2013

/s/ Lloyd L. Hill
Lloyd L. Hill

Date: October 28, 2013

/s/ Richard J. Howell
Richard J. Howell

Date: October 28, 2013

/s/ Pattye L. Moore
Pattye L. Moore

Date: October 28, 2013

/s/ James T. Rothe
James T. Rothe

CERTIFICATION

I, Stephen E. Carley, certify that:

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

November 8, 2013
(Date)

/s/ Stephen E. Carley
Stephen E. Carley
Chief Executive Officer

CERTIFICATION

I, Stuart B. Brown, certify that:

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

November 8, 2013
(Date)

/s/ Stuart B. Brown
Stuart B. Brown
Chief Financial Officer

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

In connection with the Quarterly Report of Red Robin Gourmet Burgers, Inc. (the "Company") on Form 10-Q for the period ended October 6, 2013, as filed with the Securities and Exchange Commission on November 8, 2013 (the "Report"), the undersigned, Stephen E. Carley, Chief Executive Officer, and Stuart B. Brown, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- (a) the Quarterly Report on Form 10-Q for the period ended October 6, 2013 of the Company (the "Periodic Report") fully complies with the requirements of section 13(a) and 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: November 8, 2013

/s/ Stephen E. Carley

Stephen E. Carley
Chief Executive Officer

/s/ Stuart B. Brown

Stuart B. Brown
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.
