

RED ROBIN GOURMET BURGERS INC
Form PRE 14A
April 05, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

RED ROBIN GOURMET BURGERS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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RED ROBIN GOURMET BURGERS, INC.

6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
(303) 846-6000

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On May 26, 2011**

To our Stockholders:

The annual meeting of stockholders of Red Robin Gourmet Burgers, Inc. will be held at 9:00 a.m. MDT, on Thursday, May 26, 2011, at the Doubletree Hotel Denver Tech Center, located at 7801 East Orchard Road, Greenwood Village, Colorado 80111, for the following purposes:

- 1) To elect Stephen E. Carley, Pattye L. Moore and Marcus L. Zanner as Class III directors of the Company for three-year terms;
- 2) To hold an advisory vote on the executive compensation program for our named executive officers;
- 3) To hold an advisory vote on the frequency of holding an advisory vote on executive compensation;
- 4) To approve the Second Amended and Restated 2007 Performance Incentive Plan, which would increase the number of authorized shares available for issuance and remove the limitation on the number of "full-value" awards issuable under the Company's Amended and Restated 2007 Performance Incentive Plan, as amended;
- 5) To approve the inclusion of a proposal in the Company's 2012 Proxy Statement to amend the Company's Amended and Restated Certificate of Incorporation, as amended, to declassify the board of directors;
- 6) To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 25, 2011;
- 7) To consider a shareholder proposal on succession planning; and
- 8) To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on April 1, 2011 are entitled to notice of, and to vote at, the annual meeting or any postponement or adjournment thereof.

Your attention is directed to the accompanying proxy statement, which includes information about the matters to be considered at the annual meeting and certain other important information. We encourage you to carefully review the entire proxy statement.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 26, 2011:

The proxy statement and proxy card are available at <http://www.redrobin.com/eproxy.htm>.

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We cordially invite you to attend the annual meeting. Whether or not you plan to attend, please sign and return the enclosed proxy card as promptly as possible in the envelope enclosed for your convenience. Should you receive more than one proxy card because your shares are registered in different names and addresses, each proxy card should be signed and returned to assure that all your shares will be voted.

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Accompanying this notice and proxy statement is a copy of our 2010 Annual Report on Form 10-K.

By Order of the Board of Directors,

Patty L. Moore
Chair of the Board of Directors

Greenwood Village, Colorado
[April 26,] 2011

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RED ROBIN GOURMET BURGERS, INC.

6312 South Fiddler's Green Circle, Suite 200N
Greenwood Village, CO 80111
(303) 846-6000

**PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
May 26, 2011**

The board of directors of Red Robin Gourmet Burgers, Inc. (the Company) is soliciting the enclosed proxy for use at our annual meeting of stockholders to be held on Thursday, May 26, 2011, beginning at 9:00 a.m. MDT, at the Doubletree Hotel Denver Tech Center, located at 7801 East Orchard Road, Greenwood Village, Colorado 80111, and at any time and date to which the annual meeting may be properly adjourned or postponed. This proxy statement and the accompanying Notice of Annual Meeting of Stockholders describe the purpose of the annual meeting. Distribution of these proxy solicitation materials is scheduled to begin on or about April 1, 2011. The proxy statement and proxy card are also available at <http://www.redrobin.com/eproxy.htm>.

ABOUT THE MEETING

Why am I receiving this proxy statement and proxy card?

You have received these proxy materials because our board of directors is soliciting your proxy to vote your shares at the annual meeting. This proxy statement describes issues on which we would like you to vote at our annual meeting of stockholders. It also provides you with information on these issues so that you may make an informed decision on the proposals to be voted on at the annual meeting.

What is the purpose of the annual meeting?

At our annual meeting, stockholders will vote on the following seven items of business:

- 1) To elect Stephen E. Carley, Pattye L. Moore and Marcus L. Zanner as Class III directors of the Company for three-year terms;
- 2) To approve the executive compensation program for our named executive officers;
- 3) To approve the frequency of holding an advisory vote on executive compensation;
- 4) To approve the Second Amended and Restated 2007 Performance Incentive Plan, which would increase the number of authorized shares available for issuance and remove the limitation on the number of "full-value" awards issuable under the the Company's Amended and Restated 2007 Performance Incentive Plan, as amended (the "2007 Plan");
- 5) To approve the inclusion of a proposal in the Company's 2012 Proxy Statement to amend the Company's Amended and Restated Certificate of Incorporation, as amended, to declassify the board of directors;
- 6) To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 25, 2011; and

7)

To consider a shareholder proposal on succession planning.

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You will also vote on such other matters as may properly come before the meeting or any postponement or adjournment thereof.

What are the board's recommendations?

Our board of directors recommends that you vote:

FOR election of each of the three (3) nominated directors (see Proposal 1).

FOR approval of our executive compensation program for our named executive officers (see Proposal 2).

FOR the option of annually as the frequency with which stockholders are provided an advisory vote on compensation of our named executive officers (see Proposal 3).

FOR approval of the Second Amended and Restated 2007 Performance Incentive Plan, which would increase the number of authorized shares available for issuance and remove the limitation on the number of "full-value" awards issuable under the 2007 Plan (see Proposal 4).

FOR ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 25, 2011 (see Proposal 6).

AGAINST the shareholder proposal on succession planning (see Proposal 7).

The board of directors makes no recommendation on Proposal 5 (approval of the inclusion of a proposal in the Company's 2012 proxy statement to declassify the board of directors). With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the board of directors or, if no recommendation is given, in their own discretion.

What shares are entitled to vote?

As of April 1, 2011, the record date for the meeting, we had 15,242,512 shares of common stock outstanding. Each share of our common stock outstanding on the record date is entitled to one vote on all items being voted on at the meeting. You can vote all of the shares that you owned on the record date. These shares include: (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner through a stockbroker, bank or other nominee.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most stockholders hold their shares through a broker or other holder of record rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered, with respect to those shares, the stockholder of record, and we are sending these proxy materials directly to you. As the stockholder of record, you have the right to grant your voting proxy directly to the named proxy holder or to vote in person at the meeting. We have enclosed a proxy card for you to use.

Beneficial Owner. If your shares are held in a brokerage account, or by a bank, or other holder of record, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you from that holder together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote and are also invited to attend the annual meeting.

Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a "legal proxy" from the broker, bank or other holder of record that

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holds your shares, giving you the right to vote the shares at the meeting. Your broker, bank or other holder of record has enclosed or provided voting instructions for you to use in directing the broker, bank or other holder of record how to vote your shares.

Who may attend the meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting. If you are not a stockholder of record but hold shares through a broker or bank (i.e., in street name), you should provide proof of beneficial ownership on the record date, such as your most recent account statement as of April 1, 2011, a copy of the voting instruction card provided by your broker, bank or other holder of record, or other similar evidence of ownership. Registration and seating will begin at 8:30 a.m. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

How may I vote my shares in person at the annual meeting?

Shares held in your name as the stockholder of record may be voted in person at the annual meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, bank or other holder of record that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions prior to the meeting as described below so that your vote will be counted if you later decide not to attend the meeting.

How may I vote my shares without attending the annual meeting?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or other holder of record. For directions on how to vote, please refer to the instructions included on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker, bank or other holder of record.

May I change my vote or revoke my proxy after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change the votes you cast or revoke your proxy at any time before the votes are cast at the meeting by: (1) delivering a written notice of your revocation to our corporate secretary at our principal executive office, 6312 South Fiddler's Green Circle, Suite 200N, Greenwood Village, Colorado 80111; or (2) executing and delivering a later dated proxy. In addition, the powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What is a broker non-vote?

There was an important change last year regarding broker non-votes and director elections. Under a new SEC rule that was effective for the 2010 annual meeting, brokers, banks or other holders of record are no longer permitted to vote in the election of directors if the broker has not received instructions from the beneficial owner. This represents a change from prior years when brokers had discretionary voting authority in the election of directors. In these cases, the broker can register your shares as being present at the annual meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required under the new rules. This is called a "broker non-vote." If you are a beneficial owner whose shares are held of record by a broker, bank or other holder of record, you must instruct the broker, bank or other holder of record how to vote your shares. If you do not provide voting instructions, your shares will not be voted

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on any proposal on which the broker does not have discretionary authority to vote. Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.

At this annual meeting, your broker, bank or other holder of record does not have discretionary voting authority to vote on any of the proposals other than proposal 6 (ratification of auditors) without instructions from you, in which case a broker non-vote will occur and your shares will not be voted on these matters. Accordingly, if you are a beneficial owner whose shares are held of record by a broker, your broker only has discretionary voting authority under the new rules to vote your shares on the routine matter of ratification of Deloitte & Touche LLP, even if the broker does not receive voting instructions from you.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding as of the record date will constitute a quorum. There must be a quorum for any action to be taken at the meeting (other than an adjournment or postponement of the meeting). If you submit a properly executed proxy card, even if you abstain from voting, then your shares will be counted for purposes of determining the presence of a quorum. If a broker indicates on a proxy for which it lacks discretionary authority as to certain shares to vote on a particular matter, commonly referred to as "broker non-votes," those shares will still be counted for purposes of determining the presence of a quorum at the meeting.

What vote is required to approve each item?

The affirmative vote of the majority of the votes cast in person or by proxy and eligible to vote will be required to approve each of the proposals at the annual meeting. Abstentions and broker non-votes will have no effect on the outcome of the proposals, although they will be counted for purposes of determining the presence of a quorum. In an uncontested election, each director nominee who receives more "FOR" votes than "AGAINST" votes in person or represented by proxy and entitled to be voted at the annual meeting will be elected. If a nominee does not receive a majority of the votes cast, then the resulting vacancy will be filled only by a majority vote of the directors then in office, and the director(s) so chosen shall serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires or until such director's successor shall have been duly elected and qualified.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, it means that you hold shares registered in more than one name or brokerage account. You should sign and return all proxies for each proxy card that you receive in order to ensure that all of your shares are voted.

How may I vote on each of the proposals?

In the election of directors, you may vote **FOR** any or all of the nominees, or your vote may be **WITHHELD** with respect to any or all of the nominees. For the other matters, you may vote **FOR** or **AGAINST** each proposal, or you may indicate that you wish to **ABSTAIN** from voting on a proposal.

Who will count the proxy votes?

Votes will be counted by our transfer agent, American Stock Transfer & Trust Company, LLC, which we have retained to act as the inspector of election for the annual meeting.

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How will voting on any other business be conducted?

We do not expect any matters to be presented for a vote at the meeting other than the matters described in this proxy statement. If you grant a proxy, either of the officers named as proxy holder, Stephen E. Carley or Katherine L. Scherping or their nominee(s) or substitute(s), will have the discretion to vote your shares on any additional matters that are properly presented for a vote at the meeting. If a nominee is not available as a candidate for Class III director, the person named as the proxy holder will vote your proxy for another candidate nominated by our board of directors.

What rights of appraisal or similar rights of dissenters do I have with respect to any matter to be acted upon at the meeting?

No action is proposed herein for which the laws of the state of Delaware or our Bylaws provide a right of our stockholders to dissent and obtain appraisal of or payment for such stockholders' common stock.

How do I submit a stockholder proposal for consideration at next year's annual meeting?

Proposals for Inclusion in Proxy Statement. For your proposal or director nomination to be considered for inclusion in our proxy statement for next year's meeting, your written proposal must be received by our corporate secretary at our principal executive office no later than [December 28,] 2011. If we change the date of next year's meeting by more than 30 days from the date of this year's meeting, then the deadline is a reasonable time before we begin to print and mail our proxy materials. You should also be aware that your proposal must comply with Securities and Exchange Commission (SEC) regulations regarding inclusion of stockholder proposals in company-sponsored proxy materials and our Bylaws.

Proposals to be Addressed at Meeting (but not included in proxy statement). In order for you to raise a proposal (including director nominations) from the floor during next year's meeting, our corporate secretary must receive a written notice of the proposal no later than [March 12,] 2012 and no earlier than [February 11,] 2012, and it must contain the additional information required by our Bylaws. All proposals received after [March 12,] 2012 will be considered untimely. You may obtain a complete copy of our Bylaws by submitting a written request to our corporate secretary at our principal executive office. If we change the date of next year's meeting by more than 30 days from the date contemplated at this year's meeting, in order for the proposal to be timely, we must receive your written proposal at least 90 days before the date of next year's meeting or no more than 10 days following the day on which the meeting date is publicly announced.

STOCK OWNERSHIP OF CERTAIN PERSONS

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as indicated by footnote, and except for community property laws where applicable, the persons named in the tables below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership for each table is based on 15,242,512 shares of common stock outstanding as of March 31, 2011.

Table of Contents**Stock Ownership of Certain Beneficial Owners**

The following table sets forth information regarding beneficial owners of more than 5% of our common stock as of March 31, 2011. All information is taken from or based upon ownership filings made by such persons with the SEC or upon information provided by such persons to the Company.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Amount and Nature of Beneficial Ownership	Percent of Class
Oak Street/Kovitz Investment Group, LLC(1)	2,104,996	13.81%
FMR LLC(2)	1,621,829	10.64%
BlackRock, Inc.(3)	1,238,630	8.13%
Michael J. Snyder(4)	1,101,635	7.23%
Dimensional Fund Advisors LP(5)	1,084,336	7.11%
Adage Capital Partners, LP(6)	870,000	5.71%

(1) This disclosure is based on an amendment to Schedule 13D filed with the SEC on March 10, 2011, pursuant to a joint filing agreement dated December 10, 2010 by and among Oak Street Capital SPV 1 LP ("Oak Street SPV"), Oak Street Capital Master Fund, Ltd. ("Oak Street Master"), Oak Street Capital Management, LLC ("Oak Street Management"), David Makula, Patrick Walsh (collectively, the "Oak Street Reporting Persons"), Kovitz Investment Group, LLC ("Kovitz Investment Group"), Mitchell Kovitz, and Jonathan Shapiro (excluding the Oak Street Reporting Persons, the "Kovitz Reporting Persons"). At the time of filing, Oak Street Management, as the sole general partner of Oak Street SPV, has the sole power to direct the voting and disposition of the 494,424 shares that Oak Street SPV beneficially owns. Oak Street Management, as the sole investment manager of Oak Street Master, has the sole power to direct the voting and disposition of the 861,334 shares that Oak Street Master beneficially owns. Oak Street Management indirectly beneficially owned 1,372,966 shares, including: (i) the 494,424 shares beneficially owned by Oak Street SPV; (ii) the 861,334 shares beneficially owned by Oak Street Master; and (iii) the 17,208 shares beneficially owned by the Oak Street accounts. David Makula, as the sole member and sole manager of Oak Street Management, has the sole power to direct the disposition of the 1,372,966 shares that Oak Street Management may be deemed to beneficially own. Patrick Walsh has the sole voting and dispositive power with respect to the 34,700 shares he directly owns. Mitchell Kovitz, as the CEO and Co-Chief Investment Officer of Kovitz Investment Group, has the shared power to direct the disposition of the 697,330 shares that Kovitz Investment Group may be deemed to beneficially own. Jonathan Shapiro, as the Vice President and Co-Chief Investment Officer of Kovitz Investment Group, has the shared power to direct the disposition of the 697,330 shares that Kovitz Investment Group may be deemed to beneficially own. Kovitz Investment Group does not possess, by agreement or otherwise, the power to vote, or direct the voting of the shares, beneficially held by it. The business address of the Oak Street Reporting Persons is 111 S. Wacker Drive, 33rd Floor, Chicago, Illinois 60606. The business address of the Kovitz Reporting Persons is 115 S. LaSalle St. 27th Floor, Chicago, Illinois 60603.

(2) This disclosure is based on an amendment to Schedule 13G filed with the SEC on February 14, 2011. The Schedule 13G/A was filed on behalf of FMR LLC and Edward C. Johnson 3d, Chairman of FMR LLC, with an address of 82 Devonshire Street, Boston, Massachusetts 02109. The Schedule 13G/A discloses that they have sole power to dispose or to direct the disposition of 1,621,829 shares. These shares are beneficially owned

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through Fidelity Management and Research Company, a wholly owned subsidiary of FMR LLC, and FIL Limited, a partnership controlled by the Johnson family.

- (3) This disclosure is based on an amendment to Schedule 13G filed with the SEC on February 8, 2011. The address of this reporting person is 40 East 52nd Street, New York, New York 10022. At the time of filing, the reporting person reported being a holding company that has sole voting and sole dispositive power over 1,238,630 shares.
- (4) This disclosure is based on an amendment to Schedule 13G filed with the SEC on February 12, 2007. The address of the reporting person is 1301 5th Avenue, Suite 3525, Seattle, Washington 98101.
- (5) This disclosure is based on a Schedule 13G filed with the SEC on February 11, 2011. Dimensional Fund Advisers LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnished investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. In its role as investment advisor, Dimensional Fund Advisers LP may be deemed to be the beneficial owner of the shares of the Company held by it; however, it disclaims beneficial ownership of such securities. The address of the reporting person is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746.
- (6) This disclosure is based on a Schedule 13G filed with the SEC on November 12, 2010. The Schedule 13G was filed on behalf of Adage Capital Partners, LP ("ACP"), Adage Capital Partners GP, LLC ("ACPGP"), Adage Capital Advisors, LLC ("ACA"), Robert Atchinson, as managing member of ACA, managing member of ACPGP, and general partner of ACP, and Phillip Gross, as managing member of ACA, managing member of ACPGP, and general partner of ACP. The Schedule 13G discloses that they have sole power to dispose or to direct the disposition of 870,000 shares. The address of each of the reporting persons is 200 Clarendon Street, 52nd floor, Boston, Massachusetts 02116.

Table of Contents**Stock Ownership of Directors and Management**

The following table contains information about the beneficial ownership (unless otherwise indicated) of our common stock as of March 31, 2011 by:

each of our directors, including the board's nominees for election or re-election;

each executive officer named in the Summary Compensation Table; and

all directors and current executive officers as a group.

Name of Beneficial Owner	Shares Beneficially Owned(1)	
	Amount and Nature of Beneficial Ownership	Percent of Class
Stephen E. Carley		
Dennis B. Mullen(2)	182,559	1.19%
Katherine L. Scherping(3)	16,247	*
Todd A. Brighton(4)	60,537	*
Eric C. Houseman(5)	61,407	*
Susan Lintonsmith(6)	17,176	*
Jonathan James		
Robert B. Aiken(7)	9,479	*
Lloyd L. Hill(8)	5,979	*
Richard J. Howell(9)	29,237	*
Glenn B. Kaufman(10)	1,875	*
Patty L. Moore(11)	19,437	*
Stuart I. Oran(12)	5,429	*
James T. Rothe(13)	31,137	*
J. Taylor Simonton(14)	26,437	*
Marcus L. Zanner(15)	26,644	*
David Makula	(16)	(16)
Directors and Current Executive Officers as a group (17 persons)(17)	329,536	2.14%

*

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

(1)

If a stockholder holds options, restricted stock units or other securities that are currently exercisable or that vest or become exercisable within 60 days of March 31, 2011, we treat the common stock underlying those securities as owned by that stockholder, and as outstanding shares when we calculate the stockholder's percentage ownership of our common stock. However, we do not consider that common stock to be outstanding when we calculate the percentage ownership of any other stockholder.

(2)

Shares of common stock held directly by Mr. Mullen.

(3)

Consists of 2,125 shares of restricted stock, 7,622 shares of common stock held directly by Ms. Scherping, 2,000 shares held by Ms. Scherping in joint tenancy with her husband, and 4,500 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011, and excludes 3,000 shares of common stock held by Ms. Scherping's husband of which she disclaims beneficial ownership. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 625 of the shares, such shares vest on February 26th, 2012, and (b) with regard

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to 1,500 of the shares, such shares vest in equal installments on February 24th of each 2012 and 2013.

- (4) Consists of 2,125 shares of restricted stock, 29,912 shares of common stock held directly by Mr. Brighton, and 28,500 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 625 of the shares, such shares vest on February 26th, 2012, and (b) with regard to 1,500 of the shares, such shares vest in equal installments on February 24th of each 2012 and 2013.
- (5) Consists of 4,250 shares of restricted stock, 24,157 shares of common stock held directly by Mr. Houseman, and 33,000 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 1,250 of the shares, such shares vest on February 26th, 2012, and (b) with regard to 3,000 of the shares, such shares vest in equal installments on February 24th of each 2012 and 2013.
- (6) Consists of 2,125 shares of restricted stock, 6,218 shares of common stock held directly by Ms. Lintonsmith, and 8,833 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 625 of the shares, such shares vest on February 26th, 2012, and (b) with regard to 1,500 of the shares, such shares vest in equal installments on February 24th of each 2012 and 2013.
- (7) Consists of 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 5,500 shares of common stock held indirectly by the Robert B. Aiken Trust, and 2,917 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011.
- (8) Consists of 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 2,000 shares of common stock held indirectly by the Lloyd Hill Revocable Trust, and 2,917 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011.
- (9) Consists of 709 shares of restricted stock, 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 666 shares of common stock held directly by Mr. Howell, 6,500 shares of common stock held by Mr. Howell in joint tenancy with his wife, 800 shares of common stock held indirectly in trusts for the benefit of Mr. Howell's children, and 19,500 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 209 of the shares, such shares vest on May 28, 2011, and (b) with regard to 500 of the shares, such shares vest in equal installments on May 27 of each 2011 and 2012.
- (10) Consists of 1,875 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011.
- (11) Consists of 709 shares of restricted stock, 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 666 shares of common stock held directly by Ms. Moore, 7,500 shares of common stock held indirectly by an entity owned and managed by Ms. Moore and her husband, and 9,500

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shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 209 of the shares, such shares vest on May 28, 2011, and (b) with regard to 500 of the shares, such shares vest in equal installments on May 27 of each 2011 and 2012.

- (12) Consists of 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 1,450 shares of common stock held indirectly by Mr. Oran in two trusts of which Mr. Oran is co-trustee, and 2,917 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011.
- (13) Consists of 709 shares of restricted stock, 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 4,866 shares of common stock held directly by Mr. Rothe, and 24,500 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 209 of the shares, such shares vest on May 28, 2011, and (b) with regard to 500 of the shares, such shares vest in equal installments on May 27 of each 2011 and 2012.
- (14) Consists of 709 shares of restricted stock, 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 5,166 shares of common stock held directly by Mr. Simonton, and 19,500 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. The restricted stock is subject to certain forfeiture restrictions that vest as follows: (a) with regard to 209 of the shares, such shares vest on May 28, 2011, and (b) with regard to 500 of the shares, such shares vest in equal installments on May 27 of each 2011 and 2012.
- (15) Consists of 1,062 shares of restricted stock units that are currently vested or become vested within 60 days of March 31, 2011, 20,790 shares of common stock held directly by Mr. Zanner, and 4,792 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011.
- (16) Mr. Makula was appointed to the board of directors on April 5, 2011. As of March 31, 2011, Mr. Makula was a member of a group that beneficially held a number of shares, as listed in footnote (1) of the "Stock Ownership of Certain Beneficial Owners" table. Such shares are not included in this table because Mr. Makula was not a director as of March 31, 2011.
- (17) Includes 170,001 shares of common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2011. Does not include shares beneficially held by Mr. Makula, as he was not a member of the board of directors on March 31, 2011.

Equity Compensation Plan Information

We maintain five equity-based compensation plans the 2000 Management Performance Common Stock Option Plan (the 2000 Stock Plan), the 2002 Stock Incentive Plan (the 2002 Stock Plan), the 2004 Performance Incentive Plan (the 2004 Plan), the 2007 Plan and the Employee Stock Purchase Plan (the ESPP). Our stockholders have approved each of these plans.

The following table sets forth for our equity compensation plans in the aggregate, the number of shares of our common stock subject to outstanding options and rights under these plans, the

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weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants under these plans as of December 26, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	929,846(1) \$	22.78	953,319(2)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	929,846		

(1) This aggregate amount of 929,846 consists of the following number of options then outstanding under each of the plans:

1,258	2000 Stock Plan
123,909	2002 Stock Plan
120,304	2004 Plan
684,375	2007 Plan

(2) Of the aggregate number of shares that remained available for future issuance as of December 26, 2010, 147,676 shares were available for issuance under the ESPP and 805,643 shares were available for issuance under the 2007 Plan. Any shares subject to options granted under the 2000 Stock Plan, the 2002 Stock Plan or the 2004 Plan that are not exercised before they expire or are terminated will expire and not be available for additional award grants. No new awards may be granted under the 2000 Stock Plan, the 2002 Stock Plan or the 2004 Plan.

**PROPOSAL 1
ELECTION OF DIRECTORS**

General

As of the date of this proxy statement, our board of directors consists of eleven directors. Our Amended and Restated Certificate of Incorporation, as amended, provides for three classes of directors with staggered three-year terms. Class III currently consists of three directors whose terms expire at this annual meeting; Class I currently consists of five directors whose terms expire at our 2012 annual meeting; and Class II currently consists of three directors whose terms expire at our 2013 annual meeting.

Our board of directors has nominated Stephen E. Carley, Pattye L. Moore and Marcus L. Zanner to continue to serve as our Class III directors. If elected, Messrs. Carley, Zanner and Ms. Moore will continue to serve in office until our Annual Meeting in 2014 and until their successors have been duly elected and qualified, or until the earlier of their respective deaths, resignations or retirement.

Messrs. Carley, Zanner and Ms. Moore have each consented to be named as a nominee in this proxy statement, and we expect that each of them will be able to serve if elected. Should Mr. Carley, Mr. Zanner or Ms. Moore become unable or unwilling to accept his or her nomination for election, our board of directors can name a substitute nominee and the persons named as proxies in the proxy card, or their nominees or substitutes, will vote your shares for such substitute nominee unless an instruction to the contrary is written on your proxy card.

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Directors and Nominees

Below, you can find the principal occupation and other information about each of the Class III directors and each of the other directors whose term of office will continue after the meeting.

Director Nominees Class III Directors

Pattye L. Moore, 53, joined the Company as a director in August 2007 and was appointed as Chair of the board of directors in February 2010. Ms. Moore is a business strategy consultant and the author of *Confessions from the Corner Office*, a book on leadership instincts. Ms. Moore was on the board of directors for Sonic Corp. from 2000 through January 2006 and was the President of Sonic from January 2002 to November 2004. She held numerous senior management positions during her 12 years at Sonic, including Executive Vice President, Senior Vice President Marketing and Brand Development and Vice President Marketing. Prior to joining Sonic Corp., she served as a senior executive and account supervisor on the Sonic account at the advertising agency Advertising, Inc.

Key Attributes, Experience and Skills: Ms. Moore brings to the board of directors, among her other skills and qualifications, significant senior management, marketing, business strategy and brand development experience as well as deep knowledge of the restaurant industry. During her tenure at Sonic, the company grew from \$900 million in system-wide sales with 1,100 units to over \$3 billion in system-wide sales and 3,000 units. Ms. Moore was named one of the top 100 marketers by *Advertising Age* magazine in 2000 and one of the top 50 women in foodservice by *Nation's Restaurant News* in 2002. Ms. Moore's directorships at other companies also provide her with extensive corporate governance experience. In light of the foregoing, our board of directors has concluded that Ms. Moore should continue as a member of our board.

Other Public Company Board Service: ONEOK (2002-present).

Recent Past Public Company Board Service: Sonic Corp. (2000-2006).

Stephen E. Carley, 58, joined the Company as the Company's Chief Executive Officer and as a director in September 2010. Prior to joining the Company, Mr. Carley served from April 2001 to August 2010 as the Chief Executive Officer of El Pollo Loco, a privately held restaurant company headquartered in Costa Mesa, California. Prior to his service at El Pollo Loco, Mr. Carley served in various management positions with several companies, including, PhotoPoint Corp., Universal City Hollywood, PepsiCo and the Taco Bell Group. Mr. Carley holds a master's degree with a concentration in marketing from Northwestern University and a bachelor's degree in finance from the University of Illinois in Urbana, Ill.

Key Attributes, Experience and Skills: Mr. Carley brings to the Company and the board of directors, among his other skills and qualifications, extensive restaurant industry experience and valuable executive leadership, which he gained as a chief executive officer of a corporation with significant, large-scale operations. He has extensive knowledge and understanding of the restaurant industry, marketing and brand familiarity, as well as significant insight into and experience with franchise operations. In light of the foregoing, our board of directors has concluded that Mr. Carley should continue as a member of our board.

Other Public Company Board Service: None.

Recent Past Public Company Board Service: EPL Intermediate, Inc. (publicly traded debt) (2004-2010).

Marcus L. Zanner, 66, joined the Company as a director in June 2009. Mr. Zanner is the former President and majority owner of Great Western Dining, which operated for more than 25 years with over 40 restaurants, including 13 Red Robin restaurants in Washington that were purchased by the Company in 2006. Mr. Zanner was associated with the institutional sales division of Merrill Lynch for a

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period of twelve years and has served on the board of directors of Fortune Bank in Seattle, Washington since September 2008. Mr. Zanner has also served on the board of directors for the Washington Restaurant Association and the National Restaurant Association.

Key Attributes, Experience and Skills: Mr. Zanner brings to the board of directors, among his other skills and qualifications, extensive restaurant industry experience along with financial services experience. He has significant knowledge and understanding of our business and operations, industry leadership, and brand familiarity, as well as insight into franchise operations. In light of the foregoing, our board of directors has concluded that Mr. Zanner should continue as a member of our board.

Other Public Company Board Service: None.

Recent Past Public Company Board Service: None.

Continuing Directors for Term Ending Upon the 2012 Annual Meeting of Stockholders Class I Directors

Robert B. Aiken, 48, Mr. Aiken joined the Company as a director in March 2010. Mr. Aiken is a Managing Director of Capwell Partners, LLC, a Chicago-based private equity firm. Mr. Aiken previously served as the President and Chief Executive Officer of U.S. Foodservice (USF). At USF, he served as President and Chief Executive Officer from July 2007 to February 2010, as President and Chief Operating Officer from October 2005 to July 2007, and Executive Vice President of Sales/Marketing & Supply Chain from February 2004 to October 2005.

Prior to joining USF, Mr. Aiken held several positions from 1994 through 2000 at Specialty Foods Corp. of Deerfield, Illinois, including Chief Executive Officer of its Metz Baking Company subsidiary. From 2000 until 2004, Mr. Aiken also served as President and Principal of Milwaukee Sign Co. and early in Mr. Aiken's career, he worked as a business lawyer, first with the firm Sidley & Austin in Chicago and then Wilson, Sonsini, Goodrich & Rosati in Palo Alto, California.

Key Attributes, Experience and Skills: Mr. Aiken brings to the board of directors, among his other skills and qualifications, experience as a chief executive officer of a corporation with significant operations and a large, labor-intensive workforce. He gained extensive experience in operations and logistics, as well as an understanding of the dining industry through his service at USF. In light of the foregoing, our board of directors has concluded that Mr. Aiken should continue as a member of our board.

Other Public Company Board Service: United Stationers Inc. (2010-present).

Recent Past Public Company Board Service: None.

J. Taylor Simonton, 66, joined the Company as a director in September 2005 and was appointed chair of the Company's audit committee in October 2005. Mr. Simonton spent 35 years at PricewaterhouseCoopers LLP, including 23 years as an audit partner in the firm's Accounting and Business Advisory Services practice before retiring in 2001. Until February 2007, Mr. Simonton served on the board of directors of Fischer Imaging Corporation, a public company that designed, manufactured and marketed specialty medical imaging systems, and served as its audit committee chair. He is currently the audit committee chair of Zynex, Inc., a public company that manufactures and markets medical devices for the electrotherapy and stroke and spinal injury rehabilitation markets. Mr. Simonton is also lead director and audit committee chair of Keating Capital, Inc., a publicly reporting closed-end investment fund that makes non-controlling investments in private and small market capitalization public companies.

Key Attributes, Experience and Skills: Mr. Simonton brings to the board of directors, among his other skills and qualifications, significant experience in accounting and finance that he gained through 35 years of service at PricewaterhouseCoopers, LLC, one of the world's largest accounting and professional services firm, including 23 years as an Accounting and Business Advisory Partner. In

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addition, Mr. Simonton is well versed in corporate governance; he holds a Certificate of Director Education from the Corporate Directors Institute of the National Association of Corporate Directors (NACD) and is its chairman and past president of the NACD chapter in Colorado. He also has served on several other public company board of directors. In light of the foregoing, our board of directors has concluded that Mr. Simonton should continue as a member of our board.

Other Public Company Board Service: Keating Capital, Inc. (May 2008-present) and Zynex, Inc. (October 2008-present).

Recent Past Public Company Board Service: Fischer Imaging Corporation Denver, CO (January 2003 February 2007).

James T. Rothe, 67, joined the Company as a director in October 2004 and served as chair of the Company's compensation committee from January 2005 to May 31, 2009. Mr. Rothe has served since January 2004 as Managing Director and co-founder of Roaring Fork Capital Management, LLC, which is the General Partner of Roaring Fork Capital SBIC, LP with offices in Colorado Springs and Denver, Colorado and Dallas, Texas. Mr. Rothe is a Professor Emeritus of the College of Business at the University of Colorado at Colorado Springs where he served as Professor 1986-2004 and Dean of the College 1986-1994. Mr. Rothe was also a Principal in the Phillips-Smith Specialty Retail Group, a venture capital firm (three funds, total \$140 million) from 1988-1999. Mr. Rothe served as President of Pearle Vision Center and Texas State Optical. He also served as Vice President of Marketing and Senior Vice President of Marketing and Merchandising for Pearle Vision Center. Mr. Rothe holds a Ph.D. in marketing and finance from the University of Wisconsin Madison.

Key Attributes, Experience and Skills: Mr. Rothe brings to the board of directors, among his other skills and qualifications, a unique understanding of the Company's strategies and operations through his prior board service. In addition, Mr. Rothe has significant experience in business and finance that he gained while helping to build Pearle Health Services, Inc., and participating as a key member of a venture capital partnership that successfully invested in companies such as Bizmart, PetSmart, Hot Topic and Cheap Tickets. In light of the foregoing, our board of directors has concluded that Mr. Rothe should continue as a member of our board.

Other Public Company Board Service: Independent Trustee of the Janus Funds (1997-present).

Recent Past Public Company Board Service: None.

Richard J. Howell, 68, joined the Company as a director in September 2005. Mr. Howell was an audit partner with Arthur Andersen LLP for over 25 years before retiring in 2002. From January 2004 through May 2009, Mr. Howell served as an adjunct professor of auditing at the Cox School of Business at Southern Methodist University, and he served in a similar capacity from August 2002 to December 2003 at the Neely School of Business at Texas Christian University.

Key Attributes, Experience and Skills: Mr. Howell brings to the board of directors, among his other skills and qualifications, significant experience in accounting and information systems, as well as knowledge of controls and financial reporting requirements of public companies. In addition, during Mr. Howell's career in public accounting he gained significant knowledge of due diligence, mergers and acquisitions and risk management. Mr. Howell's work with audit committees of numerous public reporting companies and his current directorship roles have provided substantial experience in corporate governance. In light of the foregoing, our board of directors has concluded that Mr. Howell should continue as a member of our board.

Other Public Company Board Service: Independent Trustee for the LKCM Funds (July 2005-present).

Recent Past Public Company Board Service: None.

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David Makula, 33, joined the Company as a director in April 2011. Mr. Makula is the founder and Chief Investment Officer of Oak Street Capital Management LLC, an investment firm that manages fundamentally-driven investment portfolios for institutional and high net worth investors. Previously, Mr. Makula participated in the management of a \$700M investment fund at Coghill Capital Management, LLC, an investment advisor based in Chicago. Prior to joining Coghill Capital Management, Mr. Makula began his career as a Mergers & Acquisitions investment banker at Salomon Smith Barney in New York, New York. He holds a B.S. in Accountancy from the University of Illinois at Urbana-Champaign, graduating with high honors, and is a Certified Public Accountant.

Key Attributes, Experience and Skills: Mr. Makula brings to the board of directors, among his other skills and qualifications, significant capital markets and capital allocation experience gained as the Chief Investment Officer of Oak Street Capital Management, LLC, and through his other investment experience, including investment banking, and merger and acquisitions work. Mr. Makula has gained extensive knowledge of value creation in the restaurant industry through Oak Street Capital Management, LLC's investments. In light of the foregoing, our board of directors has concluded that Mr. Makula should continue as a member of our board.

Other Public Company Board Service: None.

Recent Past Public Company Board Service: None.

Continuing Directors for Term Ending upon the 2013 Annual Meeting of Stockholders Class II Directors

Lloyd L. Hill, 67, joined the Company as a director in March 2010. Mr. Hill is the former Chairman and CEO of Applebee's International, Inc. (Applebee's), based in Overland Park, Kansas. Mr. Hill joined Applebee's as Chief Operating Officer in January 1994, and was named president in December 1994. He became Co-Chief Executive Officer in January 1997; Chief Executive Officer in January 1998; and was elected Chairman of the Board in May 2000. Mr. Hill first began serving on Applebee's board as an independent member in 1989 and served until November 2007. Mr. Hill retired as Chief Executive Officer of Applebee's in September 2006.

Prior to joining Applebee's, Mr. Hill served as president and director of Kimberly Quality Care (KQC), a market leader in home healthcare and nurse personnel staffing. Mr. Hill received his master's degree in business administration from Rockhurst University in Kansas City, Missouri.

Key Attributes, Experience and Skills: Mr. Hill brings to the board of directors, among his other skills and qualifications, executive leadership and operations skills developed from his years of experience as a chief executive officer of several companies. As Chairman and Chief Executive Officer of Applebee's, Mr. Hill substantially expanded Applebee's business while successfully maintaining relationships with Applebee's stockholders. Under Mr. Hill's leadership, Applebee's grew into the largest casual dining concept in the world, with nearly 1,900 restaurants in 49 states and 17 countries. In 2005, Mr. Hill was named by Institutional Investor magazine as one of America's Best CEOs and as one of the top-performing CEOs within the restaurant industry. Mr. Hill also brings deep knowledge of the casual-dining industry. In light of the foregoing, our board of directors has concluded that Mr. Hill should continue as a member of our board.

Other Public Company Board Service: None.

Recent Past Public Company Board Service: Applebee's International, Inc. (1989-2007).

Glenn B. Kaufman, 43, joined the Company as a director in August 2010. Mr. Kaufman is a Managing Member of the D Cubed Group, a private market investment firm with a long-term value creation strategy centered on supporting each company and its executives in driving continuous improvement in business quality. Prior to forming D Cubed, he spent 11 years at American Securities Capital Partners, where he was a Managing Director since 2001. During his tenure, Mr. Kaufman spearheaded the firm's investing in the restaurant, food service and franchising, and healthcare sectors.

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He served as Chairman or a Director of Potbelly Sandwich Works, El Pollo Loco, Press Ganey Associates, Anthony International and DRL Holdings. He spent four years as an attorney with Cravath, Swaine & Moore and worked previously in the small business consulting group of Price Waterhouse. Mr. Kaufman holds a Bachelor of Science in Economics from the Wharton School of Business of the University of Pennsylvania and a law degree from Harvard University.

Key Attributes, Experience and Skills: Mr. Kaufman brings to the board of directors, among his other skills and qualifications, valuable executive leadership and corporate governance experience, as well as an extensive understanding of restaurant operations and franchising. Mr. Kaufman gained restaurant and franchising expertise while serving as the Managing Director of American Securities Capital Partners. In addition, Mr. Kaufman also has legal expertise, as he served as an attorney for Cravath, Swaine & Moore for four years. In light of the foregoing, our board of directors has concluded that Mr. Kaufman should continue as a member of our board.

Other Public Company Board Service: None.

Recent Past Public Company Board Service: None.

Stuart I. Oran, 60, Mr. Oran joined the Company as a director in March 2010. Mr. Oran is the Managing Member of Roxbury Capital Group LLC, a New York based merchant banking firm he founded in 2002. Mr. Oran is also the co-founder of Bond Street Holdings LLC, a bank holding company formed to acquire failed banks in FDIC-assisted transactions.

From 1994 to 2002, Mr. Oran held a number of senior executive positions at UAL Corporation and its operating subsidiary, United Airlines, including Executive Vice President Corporate Affairs (responsible for United's legal, public, governmental and regulatory affairs, and all of United's properties and facilities), Senior Vice President International (P&L responsibility for United's international division comprised of its operations and employees (approximately 12,000) in 27 countries), and President and CEO of Avolar, United's business aviation line of business. During that period, Mr. Oran also served as a director of United Airlines (the operating subsidiary) and several of its subsidiaries, and on the Management Committee, Risk Management Committee and Alternative Asset Investment Committee of UAL. Prior to joining UAL and United, Mr. Oran was a corporate partner at the New York law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP.

Key Attributes, Experience and Skills: Mr. Oran brings to the board of directors, among his other skills and qualifications, valuable business, leadership and management, and strategic planning experience which he gained during his employment with UAL Corporation and as a board member of Wendy's International, Inc. He also brings significant knowledge of the restaurant industry from his board service at Wendy's. In addition, Mr. Oran has experience serving as a director of a number of other large public companies which provided him with extensive corporate governance experience. In light of the foregoing, our board of directors has concluded that Mr. Oran should continue as a member of our board.

Other Public Company Board Service: Deerfield Capital Corp. (2008-present).

Recent Past Public Company Board Service: Hughes Telematics (f/k/a Polaris Acquisition Corp.) (2007-2009) and Wendy's International, Inc. (2005-2008).

Required Vote

In an uncontested election, each director nominee who receives more "FOR" votes than "AGAINST" votes in person or represented by proxy and entitled to be voted at the annual meeting will be elected.

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Recommendation of the Board of Directors

Our board of directors recommends that you vote FOR the election of Ms. Moore, FOR the election of Mr. Carley, and FOR the election of Mr. Zanner as Class III directors on our board of directors.

Selecting Nominees for Director

Our board has delegated to the nominating and governance committee the responsibility for reviewing and recommending nominees for director. In evaluating a director candidate, the nominating and governance committee will consider the candidate's independence, character, corporate governance skills and abilities, business experience, industry specific experience, training and education, commitment to performing the duties of a director, and other skills, abilities or attributes that fill specific needs of the board or its committees. While there is no formal policy with regard to consideration of diversity in identifying director nominees, the nominating and governance committee considers diversity in business experience, professional expertise, gender and ethnic background, along with various other factors when evaluating director nominees. The nominating and governance committee will use the same criteria in evaluating candidates suggested by stockholders.

The nominating and governance committee recommends director candidates for nomination to the board. The board determines which candidates to nominate or appoint, as appropriate, after considering the recommendation of the committee.

CORPORATE GOVERNANCE AND BOARD MATTERS

Governance Principles

The board and management believe that the Company's relationships with its stockholders and other stakeholders are an important part of its corporate governance profile, and it recognizes the value of continuing communications. Among other things, engagement with our stockholders helps us to understand the larger context and impact of our operations, learn about expectations for our performance, and assess emerging issues that may affect our governance practices, business or other aspects of our operations. This approach has helped us to identify mutual perspectives and goals and to adopt a collaborative approach to these relationships, which has resulted in our receiving essential input from our stockholders. To this end, we regularly engage with our stockholders through attendance at investor conferences, press releases and other stockholder communications and individual meetings throughout the year.

We also recognize the connection between good corporate governance and our ability to create and sustain value for our stockholders. In response to evolving governance practices, regulatory changes and concerns of our stockholders, the Company made a number of changes to its corporate governance practices in 2009 and early 2010. These changes in 2010 include, among other things:

amending the Company's equity plan to prohibit any type of actions that may constitute a repricing of options;

electing four new independent directors to the board of directors, each of whom has an extensive understanding of, and experience as a senior executive in, one or more areas including restaurant operations, franchising, food service, investment banking and finance;

appointing a new chief executive officer with extensive restaurant operations and franchise experience, among other attributes;

adopting a majority voting standard for directors except in contested elections; and

separating the Chair and CEO role and appointing an independent Chair.

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In addition, the Company has undertaken, or committed to undertake, the following actions, each of which demonstrate the Company's continuing commitment to good corporate governance practices:

Seeking advice from shareholders whether to include a proposal in its 2012 proxy statement to declassify the Company's board of directors;

Worked in cooperation with certain of the Company's stockholders to revise its corporate governance guidelines to adopt a formal succession planning process; and

Initially raising the acquisition threshold in its Rights Agreement, dated as of August 11, 2010, from 15% to 16.5% and deciding to allow the Rights Agreement to expire on the date after the annual meeting.

In addition, in January 2011, we were approached by representatives of Oak Street Capital Management, LLC and its affiliates, stockholders in the Company. They expressed concern about the Company's performance and business strategy, among other things. Following several meetings and extended discussions, on April 5, 2011, we entered into a letter agreement (the "Letter Agreement") with Oak Street Capital Management, LLC, on behalf of themselves and their respective affiliated funds, persons and entities. Pursuant to the terms of the Letter Agreement, David Makula was appointed to the board effective April 5, 2011 as a Class I director to serve until the Company's 2012 annual stockholders meeting, and appointed to the Company's audit committee. If Mr. Makula becomes unable to serve as a director of the Company due to injury, illness, death or other similar circumstance on or before December 31, 2011, or if Mr. Makula leaves the board after December 31, 2011 for any reason prior to the end of his then-current term, Oak Street is entitled to recommend to the board one or more replacement directors. The board may withhold approval of any replacement director recommended by Oak Street, which approval cannot be unreasonably withheld. The Agreement also provides that, among other things, the members of the Oak Street investor group will abide by certain support, standstill, and together with the Company, nondisparagement obligations, through the date immediately following the day on which the 2012 annual stockholders meeting is held or, if later, such date that is five months following the latest date on which either Mr. Makula or his replacement is a director of the Company.

The board of directors seeks to ensure that good governance and responsible business principles and practices are part of our culture, values and the way we do business. In achieving this goal, the board of directors has previously established corporate governance guidelines that it follows with respect to corporate governance matters, which are available on the investor relations section of our website at www.redrobin.com. The board of directors reviews the governance guidelines annually to assure that they are timely, effective and supportive of the board's oversight and other responsibilities.

Board Leadership Structure

The board recognizes that one of its key responsibilities is to evaluate and determine its optimal leadership structures so as to provide independent oversight of management. At this time, we believe the optimal leadership structure for our board is to separate the roles of Chair of the Board and Chief Executive Officer. Pattye Moore currently serves as Chair of the Board due to, among other things, her prior experience on public company boards of directors, as well as her vast understanding of the restaurant industry.

We believe that having a non-executive chair of the board is in the best interests of the Company and our stockholders. The separation of the roles of Chair of the Board and Chief Executive Officer allows Mr. Carley to focus on managing the Company's business and operations, and allows Ms. Moore to focus on board matters especially in light of increasing regulation and scrutiny on public company boards. Further, we believe that the separation of those roles ensures the independence of the board in its oversight role of evaluating and assessing the chief executive officer and management generally.

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Role in Risk Oversight

Our board, together with our executive officers, has the primary responsibility for enterprise risk management within our Company. The board delegates many of its risk oversight functions to the audit committee. Under its charter, the audit committee is responsible for discussing with management policies with respect to financial risk assessment and enterprise risk management, including guidelines to govern the process by which major financial and accounting risk assessment and management is undertaken by the Company. The audit committee also oversees our corporate compliance programs as well as the internal audit function. In addition to the audit committee's work in overseeing certain risk management functions, our full board regularly engages in discussions of the most significant risks that the Company is facing and how these risks are being managed, and the board receives reports on these risk areas from senior officers of the Company. The board believes that the work undertaken by the audit committee, together with the work of the full board and the senior officers of the Company, enables the board to effectively oversee the Company's risk management.

Board Membership and Director Independence

Our board of directors has determined that each of Robert B. Aiken, Lloyd L. Hill, Richard J. Howell, Glenn B. Kaufman, David Makula, Pattye L. Moore, Stuart I. Oran, James T. Rothe, and J. Taylor Simonton qualifies as an independent director under rules promulgated by the SEC and The NASDAQ Stock Market® listing standards. Only independent directors are appointed to the board's three standing committees; audit committee, compensation committee and nominating and governance committee. Accordingly, all members of each board committee are independent in accordance with The NASDAQ Stock Market® listing standards. There are no family relationships among any of our executive officers, directors or nominees for directors.

During fiscal year 2010, the board of directors held 23 formal meetings in addition to a number of informal telephone conferences. Each of our current directors who were directors at such time attended at least 75% of the aggregate total of meetings of the board of directors and committees on which he or she served. The non-management directors of the Company meet at least quarterly throughout the year and as necessary or appropriate in executive sessions at which members of management are not present.

The board of directors strongly encourages each of the directors to attend the annual meeting of stockholders. All of our directors attended our 2010 annual meeting (other than those directors who joined the board after the 2010 annual meeting).

Committees of the Board of Directors

Our board of directors has established three standing committees: an audit committee, a compensation committee and a nominating and governance committee. The full text of all of the charters for each board committee is available on the investor relations section of our website at www.redrobin.com. Each of our standing committees meets at least once each quarter. In addition, other regular and special meetings are scheduled as necessary and appropriate depending on the responsibilities of the particular committee. Each committee regularly meets in executive sessions without management present. In addition to our standing committees, during 2010, the board created a Succession Committee for the purposes of seeking a new chief executive officer of the Company, and a Strategy Committee, for the purposes of assisting Mr. Carley and management in developing the strategic direction of the Company. The Succession Committee was disbanded promptly after the completion of the CEO search (September 2010).

Audit Committee. The audit committee is currently comprised of Richard J. Howell (chair), Lloyd L. Hill, Stuart I. Oran, J. Taylor Simonton, and David Makula, and operates pursuant to a written charter. The audit committee oversees and reviews the preparation and disclosure of the

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Company's consolidated financial statements and the preparation and filing of periodic financial reports, which include the requisite certifications by the chief executive officer and chief financial officer. The audit committee is also responsible for selecting and retaining the independent registered public accounting firm; approving the budget for fees to be paid to the independent registered public accounting firm for audit services and for appropriate non-audit services; overseeing the relationship between the Company and the independent registered public accounting firm and acting as the board of directors' primary avenue of communication with them; overseeing enterprise fraud risk, and selecting, retaining and overseeing the internal audit function of the Company. The audit committee's responsibilities also include other matters as set forth in its charter.

The board also has determined that each of Mr. Howell and Mr. Simonton is an "audit committee financial expert" as defined by rules adopted by the SEC. A discussion of the role of the audit committee is provided under "Audit Committee Report."

The audit committee met 10 times in fiscal year 2010.

Compensation Committee. The compensation committee is currently comprised of Lloyd L. Hill (chair), Pattye L. Moore and James T. Rothe. The compensation committee operates pursuant to a written charter. Functions performed by the compensation committee include: developing and recommending to the board of directors an annual performance evaluation of our chief executive officer, approving salary and short-term and long-term incentive compensation programs for all senior executives; and reviewing and adopting employee benefit plans and reviewing and approving compensation for directors.

The specific nature of the compensation committee's responsibilities as they relate to executive officers is set forth under "Compensation Discussion and Analysis."

The compensation committee held 20 formal meetings in addition to several informal telephone conferences in fiscal year 2010.

Nominating and Governance Committee. The nominating and governance committee is currently comprised of Robert B. Aiken (chair), Glenn B. Kaufman, Stuart I. Oran and J. Taylor Simonton and operates pursuant to a written charter. The nominating and governance committee identifies, evaluates and recommends to the board of directors candidates for appointment or election to the board, as appropriate. The committee meets annually during the fourth quarter to determine whether to recommend to the board to include the nomination of incumbent directors with expiring terms in the proxy statement. The committee meets at other times as needed to consider candidates to fill any vacancies that may occur. At least once a year, the committee considers whether the number of directors is appropriate for the Company's needs and recommends to the board any changes in the number of directors, and reviews the performance of the board.

A stockholder may submit the name of a director candidate for consideration by the nominating and governance committee by writing to: Nominating and Governance Committee, Red Robin Gourmet Burgers, Inc., 6312 South Fiddler's Green Circle, Suite 200N, Greenwood Village, CO 80111. The stockholder must submit the following information in support of the candidate: (a) all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Company's books, and of such beneficial owner, (ii) the class and number of shares of the Company that are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights,

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hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such stockholder's notice by, or on behalf of, such stockholder and such beneficial owner, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Company, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Company, and (iv) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Company's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Company's voting shares to elect such nominee or nominees.

The nominating and governance committee held 13 formal meetings in addition to several informal telephone conferences in fiscal year 2010.

Stockholder Communications with the Board of Directors

You may communicate with any director, the entire board of directors, the independent directors or any committee by sending a letter to the director, the board of directors, or the committee addressed to: Board of Directors, 6312 South Fiddler's Green Circle, Suite 200N, Greenwood Village, CO 80111, or by sending an e-mail to: *Board@redrobin.com*. The Company's chief legal officer will review all communications, categorize them, and forward them to the appropriate board member. Messages pertaining to administrative matters, ordinary business matters, personal grievances, and similar issues will be forwarded to the appropriate member of management.

With respect to issues arising under the Company's Code of Ethics, you may also communicate directly with the chair of the audit committee or the compliance officer in the manner provided in the Company's Problem Resolution and Whistleblower Policy and Reporting Procedures. Both the Code of Ethics and the Problem Resolution and Whistleblower Policy and Reporting Procedures may be found on the investor relations section of our website at: *www.redrobin.com*.

Certain Relationships and Related Transactions

Transactions with Related Persons

Jonathon James. Jonathon James, our former Senior Vice President of Enterprise Services, who resigned in September 2010 is a founder and former CEO of GrassRoots Leadership, LLC (GRL), a management consulting firm located in Denver, Colorado. Prior to Mr. James' employment with the Company, GRL provided consulting services to the Company from the beginning of September 2006 to October 2009, specifically focusing on executive leadership development, new restaurant opening processes, succession planning, and recruitment and retention processes and assessments. During fiscal year 2008 and fiscal year 2009, the Company paid GRL approximately \$773,000 and \$1.2 million, respectively, for consulting services and certain management training material. Mr. James informed the Company that he divested his ownership interest in GRL upon acceptance of his position with the Company.

Marcus L. Zanner. Marcus L. Zanner, a director of the Company, is a principal of and holds, directly or indirectly, interests of between 45% and 100% in three privately-held entities that hold the leases for three of the Company's restaurants in Washington. Such leases were assumed in connection with the purchase of the 13 Red Robin® restaurants from Great Western Dining in 2006. For fiscal year 2009 and fiscal year 2010, the Company paid total rent of approximately \$1.0 million and \$1.1 million, respectively, for these three restaurants, including percentage rent, and related taxes and fees.

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Review, Approval or Ratification of Transactions with Related Persons

The board of directors has recognized that transactions between the Company and certain related persons present a heightened risk of conflicts of interest. In order to ensure that the Company acts in the best interest of its stockholders, the Board has delegated the review and approval of related party transactions to the audit committee. Any related party transaction required to be disclosed in accordance with applicable SEC regulations must be reviewed and approved by the audit committee. In reviewing a proposed transaction, the audit committee must (i) satisfy itself that it has been fully informed as to the related party's relationship and interest and as to the material facts of the proposed transaction and (ii) consider all of the relevant facts and circumstances available to the committee. After its review, the audit committee will only approve or ratify transactions that are fair to the Company and not inconsistent with the best interests of the Company and its stockholders.

Compensation Committee Interlocks and Insider Participation

None of the members of the compensation committee has been or will be one of the Company's officers or employees. The Company does not have any interlocking relationships between its executive officers and the compensation committee and the executive officers and compensation committee of any other entities, nor has any such interlocking relationship existed in the past.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, during fiscal year 2010, all of our officers, directors and greater than ten percent beneficial owners timely complied with all Section 16(a) filing requirements.

COMPENSATION DISCUSSION AND ANALYSIS

In this Compensation Discussion and Analysis (CD&A), we discuss our compensation philosophy and goals, and the material elements of the compensation program for our executive officers, including our named executive officers identified in the Summary Compensation Table. We include programs that were in place for 2010, and changes we have implemented in 2011. Our compensation committee oversees and approves the design and implementation of our executive and board compensation.

Executive Summary

As discussed in our Annual Report on Form 10-K filed for the fiscal year ended December 26, 2010 and elsewhere in this proxy statement, there were a number of important changes in our governance and operations in 2010. Under the leadership of the board and our new chief executive officer, we implemented a number of significant initiatives to focus our efforts on driving performance improvement and re-establishing our company operations as best-in-class. These initiatives, which we call Project RED, are designed to increase same store sales, reduce expenses, improve restaurant level margins and drive overall corporate profitability. During the fourth quarter of 2010, we saw improvements in many of these areas, which are providing the momentum to continue increasing shareholder value, which is the basis for our compensation programs.

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Accordingly, our compensation objectives have been designed to link incentives and rewards for our employees to the achievement of sustainable short-term and long-term Company performance reflected in top-line growth in sales and guest counts, and the establishment of solid business foundations that improve and support growth and profitability. To achieve these objectives, we utilize a mix of short-term and long-term compensation strategies that place a significant portion of cash and equity compensation at risk, and align compensation with a multi-year performance expectation. Our strategies include a component of lower base pay combined with potential for increased levels of compensation for performance through incentive or bonus awards. Finally, a significant portion of each executive's compensation is based on long-term equity awards that vest over multi-year periods or have performance based vesting requirements. Our equity ownership guidelines for executives confirm the long-term nature of our equity grants. Because a material part of our executives' compensation is tied to achievement of long-term goals, the compensation committee believes our compensation programs will not create incentives to take risks that are reasonably likely to have a material adverse effect on the Company. The compensation committee continually evaluates and revises our compensation program as necessary to ensure that it is competitive with the market and our peers, and promotes achievement of our business objectives.

Recent Compensation Activity

Summary of 2010 Compensation Activity

In late 2009 and early 2010, in response to both feedback that management received from our stockholders, and legislative and other activity surrounding corporate governance and executive compensation, the Company's board of directors and compensation committee initiated certain actions, in addition to addressing routine compensation matters, to: (a) modify specific elements of an executive's compensation and (b) improve the governance process around executive compensation and the pay-for-performance orientation of the Company's executive compensation program. These actions included the following:

Base Salaries. The compensation committee did not approve salary increases for the named executive officers for 2010, except an increase granted to Dennis Mullen, our former chief executive officer, in connection with a modification to his employment agreement.

2010 Bonus Targets. For 2010, the Company's bonus incentives were more heavily weighted toward company performance targets designed to develop sustainable increases in sales, guest counts and profitability. The compensation committee approved a cash bonus incentive program for executive officers that was 90% based on achievement of Company EBITDA goals and 10% based on personal goals. The Company did not achieve its EBITDA goals; consequently no bonuses were paid with respect to the EBITDA portion of the program. However, bonuses were paid to executive officers based on the achievement of their personal goals, as set forth in the *Summary Compensation Table*. See also, "*Elements of our Executive Compensation Program 2010 Bonuses*."

Long-term Incentive Program. As part of the compensation committee's increased emphasis on pay for performance, equity grants made to executives in 2010 consisted of a mix of time-based restricted stock units and performance-based restricted stock units (RSUs) based on total shareholder return (TSR). The performance-based RSUs have a three-year performance period with cliff vesting at the end of such period and the value of the grant will range from 0% up to 225% of the base grant amount, depending on performance against a peer group of 42 restaurants (based on the same eight digit GICS code for restaurants as the Company). The time-based RSUs vest ratably over four years on the anniversary date of the grant.

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Change to CEO Compensation. The board of directors amended the employment agreement of Dennis Mullen, the Company's former chief executive officer until September 2010, to eliminate, among other things, payment and reimbursement for personal commuting expenses and the 280G tax gross-up provisions for commuting and change-in-control severance payments. *See the discussion of Mr. Mullen's Employment Agreement below.*

Prohibition on Repricing. Our board of directors also amended our Amended and Restated 2007 Performance Incentive Plan to specifically prohibit any type of actions that may constitute a repricing of options, including cash tender offers or other exchange of equity, without stockholder approval.

Tally Sheets. Beginning in 2010, the compensation committee added to its processes a review of executive officers' "tally sheets," which summarize each officer's direct compensation, benefits and perquisites, equity value under various scenarios, and the Company's potential severance for terminating the named officers' employment. The tally sheets assist the compensation committee by providing not only greater visibility into the total compensation for each officer, but also visibility into the sensitivity of compensation to performance, interaction between various elements and kinds of compensation and other relevant data measures.

Executive Employment and Departures

In September 2010, Stephen Carley was appointed our new chief executive officer, replacing Dennis Mullen, who had served since August 2005 and left the Company in September 2010. We include actions taken with respect to the compensation of both Mr. Carley and Mr. Mullen below.

Dennis B. Mullen. In January 2010, Mr. Mullen's employment agreement was modified to increase his annual base salary from \$725,000 to \$800,000, and to eliminate payment and reimbursement for personal commuting expenses and tax gross-ups for commuting and change-in-control severance payments. The modification also added a cutback provision that would reduce any change-in-control severance below the threshold that would trigger applicable excise tax. In addition, Mr. Mullen waived his contractual right to receive a bonus equal to 50% of his salary in 2010, 2011, and 2012, and instead agreed to participate in performance bonus plans on the same terms as the other named officers. Mr. Mullen's equity grants for 2010 were 100% performance-based and calculated on total shareholder return.

Mr. Mullen departed the Company effective September 13, 2010 (Mullen Effective Date). Pursuant to the terms of his Separation Agreement, the Company agreed to pay to Mr. Mullen (i) his current annual base salary of \$800,000 over the twelve-month period beginning on the Mullen Effective Date; and (ii) a cash payment in the amount of \$53,333, representing the pro rata share of the bonus that would have otherwise been payable to Mr. Mullen, on the next bonus payment date in satisfaction of the personal goal component of his bonus. However, because the performance metrics for the personal goal component of Mr. Mullen's bonus were not satisfied, Mr. Mullen did not receive the \$53,333 bonus payment. The Company also pays the premiums for Mr. Mullen's continued coverage under the Company's group medical, dental and prescription coverage for up to 12 months following the Mullen Effective Date. In addition, on the Mullen Effective Date and pursuant to the terms of applicable award agreements, 75,000 shares of restricted stock granted to Mr. Mullen on August 17, 2007 (25,000 shares) and August 15, 2008 (50,000 shares) vested in full.

Under the terms of the Separation Agreement, Mr. Mullen agreed to provide consulting services to our board of directors for a period of nine months following the Mullen Effective Date. During the consulting term, Mr. Mullen is required to provide no more than 20% of the average level of bona fide services performed by him during the 36-month period immediately preceding the date of the Separation Agreement, August 11, 2010. In exchange for such consulting services, the Company pays Mr. Mullen a monthly fee of \$9,333 during the consulting term.

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Stephen E. Carley. Mr. Carley was appointed as our Chief Executive Officer and entered into an employment agreement with the Company effective September 13, 2010. Mr. Carley's employment agreement is for an indefinite term, subject to termination in accordance with its terms, described below. His employment agreement provides for, among other things, the following:

a starting base salary of \$700,000 annually, subject to certain adjustments from time to time as determined by the Board;

a signing bonus of \$550,000;

a target annual bonus of 100% of base salary, based on the satisfaction of certain performance targets to be determined by the Board and annual equity awards, which are contingent on the attainment of certain performance criteria established by the Compensation Committee;

equity grants on the effective date, which have been granted, of (a) performance-based restricted stock units having a target value of \$400,000, (b) non-qualified stock options having a grant date fair value of \$550,000, and (c) 20,000 time-vested restricted stock units;

certain other benefits, including an annual car allowance, reimbursement of legal fees incurred by Mr. Carley in connection with the negotiation of the Employment Agreement, and the right to participate in all savings, retirement, medical, welfare and insurance plans and programs to the same extent as other senior executive employees of the Company; and

reimbursement of certain relocation expenses incurred by Mr. Carley in an amount not to exceed \$425,000 including without limitation, brokerage commissions on the sale of his existing home, moving expenses, an interim housing allowance, and a tax gross-up for such relocation expenses.

The compensation committee determined Mr. Carley's compensation with the assistance of the executive search firm that conducted a search for a new chief executive officer in 2010. Certain elements were based on the recommendations of the search firm with respect to CEO compensation, modified to compensate Mr. Carley for any compensation he would lose and expenses incurred in transitioning from his previous position to our Company. Mr. Carley's cash signing bonus was intended principally to replace his bonus that he would have expected to earn had he remained employed with his former company. The equity grants received by Mr. Carley were determined with advice of F.W. Cook & Co., Inc., the compensation committee's former compensation consultant. The amounts generally reflect the median annual award for a chief executive officer at a restaurant company with a market cap similar to ours.

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The employment agreement provides that Mr. Carley is entitled to receive certain benefits upon termination of his employment as set forth in the chart below.

Termination	Salary	Annual Bonus	Benefits
Change in Control Event(1)	2x the sum of the annual base salary and highest annual bonus earned by executive for performance in the last 3 completed calendar years	His pro rata share of the annual bonus, that would otherwise have been earned and be payable had he continued to be employed by the Company.	Coverage under the Company's medical, dental and prescription insurance plans for the 18-month period following the date of termination.
For Good Reason by Mr. Carley or other than for Cause	2x annual salary	His pro rata share of the annual bonus, calculated and paid at the end of the plan cycle, that would otherwise have been earned and be payable had he continued to be employed by the Company.	Coverage under the Company's medical, dental and prescription insurance plans for the 18-month period following the date of termination.

(1) Change of Control, Good Reason and Cause are all terms defined in the Employment Agreement

The employment agreement contains confidentiality, non-compete and non-interference covenants from Mr. Carley, including a 12-month covenant not to compete with the Company and its subsidiaries in the casual dining restaurant business; provided that, the non-compete covenant extends for a period of 24-months with respect to certain competitors of the Company and any "fast casual" burger concept.

Other Executives. Jonathon James, Senior Vice President of Enterprise Services, resigned from the Company in September 2010. Mr. James, who was hired in September 2009, would have been included as a named executive officer in 2010 due to his total compensation received but was not a named executive in 2009. Upon his departure, Mr. James entered into an agreement with us to provide consulting services for a period of six months through March 2, 2011 to assist in effecting the transition, due to his resignation, of the oversight of the Purchasing, Human Resources, Information Technology, NRO, and Training departments. During Mr. James' consulting term, the Company paid Mr. James approximately \$16,666 per month, plus certain amounts to pay applicable income and other taxes. Prior to his employment with the Company, between 2006 and 2009 Mr. James was a managing partner with an executive leadership and management consulting firm that provided services to the Company. In connection with his employment with the Company, Mr. James terminated his interests in the consulting firm.

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Summary of 2011 Compensation Activity

Following the appointment of Steve Carley as our chief executive officer in September 2010, we developed a strategic plan to deliver strong, sustainable, best-in-class improvement in our operating and financial performance. The compensation committee took several actions to strengthen the pay-for-performance orientation of our executive compensation programs and to reinforce the link between the interests of our executive officers and those of our shareholders. These actions are designed to elevate the performance of our executive team, reinforce annual operating excellence and better align our performance with positive returns and long-term value creation for our shareholders.

Compensation Consultant and Benchmarking. In 2011, the compensation committee retained a new executive compensation advisor, AON Hewitt, to take a fresh look at our compensation programs. AON Hewitt replaced the compensation committee's former consultant, F.W. Cook & Co., Inc., who had served for several years as the committee's outside advisor. AON Hewitt will annually review our executive compensation program and broad-based equity compensation practices, assist in ongoing development of our executive compensation philosophy, and act as an advisor to the compensation committee on compensation matters as they arise. Other than its service to the compensation committee, AON Hewitt does not provide any services to us as the compensation committee believes that the committee and our management should not use the same advisors.

Changes to Compensation Program. Following consultation between the compensation committee and AON Hewitt, we refined our executive compensation philosophy and program to better align with business objectives focused on long-term growth incorporating the following decisions. The components are described in more detail below under Elements of Our Executive Compensation Program.

Compensation Element	Prior (2010)	New (2011)	Comments
Modify peer group	13 restaurant companies, all casual dining	Modified peer group to include 6 quick serve/fast casual dining restaurants; removed four and added 9 restaurant companies; 18 total	The greater number of companies assures more stability of the sample; the peer group is closer to our revenue size and we are using the same peer group for all comparisons versus having used different groups for different compensation components in 2010
Target pay position	Median or below base salary; with annual bonus, potential for higher than median	Modified to use a leading median base (median salary and short term bonus) in terms of total compensation with the emphasis placed on the long-term value creation and increase long-term incentive targets to the 65th percentile.	Large portion of pay at risk with upside potential long-term; metrics tied to corporate strategy

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Compensation Element	Prior (2010)	New (2011)	Comments
Long-term incentive mix	50% time based and 50% performance based; all restricted stock units	Reduced non-performance based LTIs (time-based equity) from 50% to 20%; Added long-term cash-based performance plan (40% weight) with EBITDA and ROIC targets; Reintroduced stock options (40%) weight	Stock options will align management with our shareholders' interests through the stock price; the multi-year performance plan will focus on improving and sustaining operational performance; the restricted shares will help retain our team, which is committed to delivering our strategy; fewer grants preserve share pool and reduces "burn rate".
Ownership Guidelines	Maintain focus on stock ownership among executives	Maintained focus on stock ownership among executives	Confirms long-term nature of grants and alignment with shareholders
LTI Eligibility	Equity grants from executives down to restaurant level management	Discontinued equity at manager and below; replaced with cash bonus program for restaurant managers	Drives consistency of operating results in restaurants as cash is a more meaningful motivator given the nature of the goals at the restaurant level; reduced grants preserve share pool

In sum, we believe that these changes have brought greater focus to our compensation strategy, sharpened our analytics, better aligned it with the current realities of our business economics and put greater emphasis on annual and long-term performance. We believe that we have set upon a course in which our executive pay plans better align management's interests with our shareholders and that a strong performance foundation has been created upon which we will build in subsequent years.

Elements of our Executive Compensation Program

Overview

Our executive compensation program consists of the short-term components of annual cash salaries, and annual cash bonuses, and long-term components of equity grants, and, new starting in 2011, a long-term cash incentive. Historically, base salaries have been set at or slightly below the median (50th percentile) of our peer group of restaurants, with a material component of annual cash compensation derived from performance-based cash bonuses. The annual bonus goals were based on both Company and personal targets. Bonus payout levels were targeted at higher than median to result in total cash compensation above the median up to the 75th percentile, based on performance.

In 2011, the compensation committee modified its compensation philosophy to target base salaries and annual bonus compensation at the median of our peer group, with emphasis on the long-term creation of value, compensated at the level of the 65th percentile. The long-term component is

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comprised of a cash incentive, option and restricted stock unit grants, as described below under "Long-Term Incentive Program".

Peer Group Modifications

In connection with its review of our executive compensation program, AON Hewitt recommended changes to the Company's peer group. The changes were based on similarity in revenue and comparability of the restaurant companies in the peer group to us. Moreover, we will use the same peer group for all comparisons and equity programs. The 2010 peer group consisted of the 13 restaurants identified in the chart below.

Nine new companies, including some quick-serve companies, were added that in the belief that they cover a broader spectrum of our industry and are more comparable to us in size and scope. Five companies were removed based on either their respective size or other disqualifying factors.

Accordingly, in 2011, the peer group will be comprised of the restaurant companies listed below as the New Peer Group.

Current Peer Group	New Peer Group
BJ's Restaurants, Inc.	Biglari Holdings, Inc.**
Brinker International, Inc.*	BJ's Restaurants, Inc.
Buffalo Wild Wings, Inc.	Bob Evans Farms, Inc.**
California Pizza Kitchen, Inc.	Buffalo Wild Wings, Inc.
CEC Entertainment, Inc.	California Pizza Kitchen, Inc.
The Cheesecake Factory, Inc.	Carrols Restaurant Group, Inc.**
Chipotle Mexican Grill, Inc.*	CEC Entertainment, Inc.
Denny's Corporation	The Cheesecake Factory, Inc.
O'Charleys, Inc.*	Denny's Corporation.
Panera Bread Company*	DineEquity, Inc.**
P.F. Chang China Bistro, Inc.	Dominos Pizza, Inc**
Ruby Tuesday, Inc.*	Einstein Noah Restaurant Group, Inc.**
Texas Roadhouse, Inc.	Frisch's Restaurants, Inc.**
	Papa John's International, Inc.**
	P.F. Chang China Bistro, Inc.