BRAVO BRIO RESTAURANT GROUP, INC.

FORM 10-K
(Annual Report)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal period ended December 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 001-34920

BRAVO BRIO RESTAURANT GROUP, INC.
(Exact name of registrant as specified in its charter)

Ohio	**34-1566328**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
777 Goodale Boulevard, Suite 100 Columbus, Ohio	**43212**
(Address of principal executive office)	*(Zip Code)*

Registrant's telephone number, including area code (614) 326-7944

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

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

Title of Each Class	Name of each Exchange on Which Registered
Common Shares, no par value per share	NASDAQ Global Market

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

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

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

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

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

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

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

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

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

As of June 24, 2012 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's voting stock held by non-affiliates was approximately $335.0 million based on the number of shares held as of June 24, 2012, and the last reported sale price of the registrant's common shares as of June 24, 2012.

As of March 4, 2013, the latest practicable date, 19,608,256 of the registrant's common shares, no par value per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this annual report on Form 10-K incorporates by reference information from the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 1, 2013.

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Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors, including those discussed under “Risk Factors.” The following factors, among others, could cause our actual results and performance to differ materially from the results and performance projected in, or implied by, the forward-looking statements:

- the success of our existing and new restaurants;
- our ability to successfully develop and expand our operations;
- changes in economic conditions, including continuing effects from the recent recession;
- damage to our reputation or lack of acceptance of our brands;
- economic and other trends and developments, including adverse weather conditions, in those local or regional areas in which our restaurants are concentrated;
- the impact of economic factors, including the availability of credit, on our landlords and other retail center tenants;
- changes in availability or cost of our principal food products;
- increases in our labor costs, including as a result of changes in government regulation;
- labor shortages or increased labor costs;
- increasing competition in the restaurant industry in general as well as in the dining segments of the restaurant industry in which we compete;
- changes in attitudes or negative publicity regarding food safety and health concerns;
- the success of our marketing programs;
- potential fluctuations in our quarterly operating results due to new restaurant openings and other factors;
- the effect on existing restaurants of opening new restaurants in the same markets;
- the loss of key members of our management team;
- strain on our infrastructure and resources caused by our growth;
- the impact of federal, state or local government regulations relating to building construction and the opening of new restaurants, our existing restaurants, our employees, the sale of alcoholic beverages and the sale or preparation of food;
- the impact of litigation;
- our inability to obtain adequate levels of insurance coverage;
- the impact of our indebtedness;
- future asset impairment charges;
- security breaches of confidential guest information;
- inadequate protection of our intellectual property;
- the failure or breach of our information technology systems;
- a major natural or man-made disaster at our corporate facility;

- our ability to maintain adequate internal controls over financial reporting;
- the impact of federal, state and local tax rules; and
- other factors discussed from time to time in our filings with the Securities and Exchange Commission (the “SEC”), including factors discussed under the headings “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this annual report on Form 10-K.

Although we believe that the expectations reflected in the forward-looking statements are reasonable based on our current knowledge of our business and operations, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this annual report on Form 10-K. We assume no obligation to provide revisions to any forward-looking statements should circumstances change.

Basis of Presentation

We utilize a typical restaurant 52- or 53-week fiscal year ending on the last Sunday in the calendar year. Fiscal years are identified in this annual report according to the calendar year in which the fiscal year ends. For example, references to “2012,” “fiscal 2012,” “fiscal year 2012” or similar references refer to the fiscal year ended December 30, 2012, which was a 53 week year.

Part I

As used in this annual report on Form 10-K, unless the context otherwise indicates, the references to "our company," "the Company," "us," "we" and "our" refer to Bravo Brio Restaurant Group, Inc. together with its subsidiaries.

Item 1. *Business.*

Our Business

We are an owner and operator of two distinct Italian restaurant brands, BRAVO! Cucina Italiana ("BRAVO!") and BRIO Tuscan Grille ("BRIO"). We have positioned our brands as multifaceted culinary destinations that deliver the ambiance, design elements and food quality reminiscent of fine dining restaurants at a value typically offered by casual dining establishments, a combination known as the upscale affordable dining segment. Each of our brands provides its guests with a fine dining experience and value by serving affordable cuisine prepared using fresh flavorful ingredients and authentic Italian cooking methods, combined with attentive service in an attractive, lively atmosphere. We strive to be the best Italian restaurant company in America and are focused on providing our guests an excellent dining experience through consistency of execution.

Bravo Brio Restaurant Group, Inc. was incorporated in July 1987 as an Ohio corporation under the name Belden Village Venture, Inc. Our name was changed to Bravo Cucina of Dayton, Inc. in September 1995, to Bravo Development, Inc. in December 1998 and to Bravo Brio Restaurant Group, Inc. in June 2010. The first BRAVO! restaurant opened in 1992 and the first BRIO restaurant opened in 1999, each in Columbus, Ohio. We completed the initial public offering of our common shares in October 2010. At December 30, 2012, we operated 103 restaurants in 31 states. Bravo Brio Restaurant Group's mission statement *is to be the best Italian restaurant company in America by delivering the highest quality food and service to each guest...at each meal...each and every day* .

BRAVO! Cucina Italiana

BRAVO! Cucina Italiana is a full-service, upscale affordable Italian restaurant offering a broad menu of freshly-prepared classic Italian food served in a lively, high-energy environment with attentive service. The subtitle "Cucina Italiana," meaning "Italian Kitchen," is appropriate since all cooking is done in full view of our guests, creating the energy of live theater. BRAVO! offers a wide variety of pasta dishes, steaks, chicken, seafood and pizzas, emphasizing fresh, made-to-order cuisine and authentic recipes that deliver an excellent value to guests. BRAVO! also offers creative seasonal specials, an extensive wine list, carry-out and catering.

The average check for BRAVO! during fiscal 2012 was $19.89 per guest with an average lunch check of $15.13 per guest and an average dinner check of $22.92 per guest. At BRAVO! in 2012, lunch and dinner represented 29.6% and 70.4% of revenues, respectively, and alcohol sales accounted for approximately 18% of restaurant sales. Our average annual sales per comparable BRAVO! restaurant were $3.5 million in fiscal 2012. As of December 30, 2012, we owned and operated 48 BRAVO! restaurants in 20 states.

BRIO Tuscan Grille

BRIO Tuscan Grille is an upscale affordable Italian chophouse restaurant serving freshly-prepared, authentic northern Italian food in a Tuscan Villa atmosphere. BRIO means "lively" or "full of life" in Italian and draws its inspiration from the cherished Tuscan philosophy of "to eat well is to live well." The cuisine at BRIO is prepared using fresh ingredients and a high standard for quality execution with an emphasis on steaks, chops, fresh seafood and made-to-order pastas. BRIO also offers creative seasonal specials, an extensive wine list, carry-out and banquet facilities at select locations.

The average check for BRIO during fiscal 2012 was $25.22 per guest, with an average lunch check of $18.13 per guest and an average dinner check of $30.55 per guest. At BRIO in 2012, lunch and dinner represented 30.8% and 69.2% of revenues, respectively, and alcohol sales accounted for approximately 23% of restaurant sales. Our average annual revenues per comparable BRIO restaurant were $5.1 million in fiscal 2012. As of December 30, 2012, we operated 55 BRIO restaurants in 20 states, all of which we own with the exception of one restaurant that we operate under a management agreement pursuant to which we receive a management fee.

We also operate one full-service upscale affordable American-French bistro restaurant in Columbus, Ohio under the brand “Bon Vie.” Our Bon Vie restaurant is included in the BRIO operating and financial data set forth in this report.

Real Estate

As of December 30, 2012, we leased 98 locations, owned four locations and operated one location under a management agreement, of which 90 are located adjacent to or in lifestyle centers and/or shopping malls and 13 are free-standing units strategically positioned in high-traffic areas. On average, our restaurants range in size from 6,000 to 9,000 square feet. The majority of our leases provide for minimum annual rentals and contain percentage-of-sales rent provisions against which the minimum rent is applied. A significant percentage of our leases also provide for periodic escalation of minimum annual rent. Typically, our leases are ten or 15 years in length with two, five-year extension options. See Part I, Item 2 “Properties.”

Landlords and developers seek out our concepts to be restaurant anchors for their developments as they are highly complementary to national retailers, having attracted on average between approximately 2,900-4,700 guests per restaurant each week in fiscal 2012. As a result of the importance of our brands to the retail centers in which we are located, we are often able to negotiate the prime location within a center as well as favorable real estate terms and choose between our two brands to determine which is optimal for a location. This helps to generate highly attractive returns on our investment and drive strong returns on capital for our shareholders. On average, a restaurant opening requires a net cash investment of approximately $1.5-$2.5 million.

Site Selection Process

Part of our growth strategy is to develop a nationwide system of restaurants. We have developed a disciplined site acquisition and qualification process incorporating management’s experience as well as extensive data collection, analysis and interpretation. We are actively developing BRAVO! and BRIO restaurants in both new and existing markets, and we will continue to expand in major metropolitan areas throughout the United States. Management closely analyzes traffic patterns, demographic characteristics, population density, level of affluence and consumer attitudes or preferences. In addition, management carefully evaluates the current or expected co-retail and restaurant tenants in order to accurately assess the attractiveness of the identified area.

BRAVO! and BRIO are highly sought after by the owners and developers of upscale shopping centers and mixed use projects. We are therefore typically made aware of new developments and opportunities very early on in their selection process. In addition to our real estate personnel and broker network actively seeking locations, we do site screening on projects that are brought to our attention in the planning phases.

Design

BRAVO! and BRIO restaurants integrate critical design elements of each brand while making each restaurant unique. Consideration is taken with each design to incorporate the center’s architecture and other regional design elements while still maintaining certain critical features that help identify our brands. Our interiors, while timeless and inviting, incorporate current trends that give our restaurants a sophisticated yet classic feel. This flexibility of design allows us to build one and two story restaurants and to place restaurants in a variety of locales, including ground up locations, in-line locations and conversions of office, retail and restaurant space.

Our brands maintain several common qualities, including certain design elements such as chandeliers and marble and granite counter tops that help reduce building and construction costs and create consistency for our guests. We share best practices in service, preparation and food quality across both brands. In addition, we share services such as real estate development, purchasing, human resources, marketing and advertising, information technology, finance and accounting, allowing us to maximize efficiencies across our company as we continue our growth.

The flexibility of our concepts has enabled us to open restaurants in a wide variety of locations, including high-density residential areas, shopping malls, lifestyle centers and other high-traffic locations. On average, it takes us approximately 12 to 18 months from identification of the specific site to opening the doors for business. In order to maintain consistency of food, guest service and atmosphere at our restaurants, we have set processes and timelines to follow for all restaurant openings to ensure they stay on schedule.

The identification of new sites along with their development and construction are the responsibilities of the Company's Real Estate Development Group. Our project managers are responsible for building the restaurants, and our staff members deal with purchasing, project management, budgeting, scheduling and other administrative functions. Senior management reviews the comprehensive studies provided by the Real Estate Development Group to determine which regions to pursue prior to any new restaurant development.

Restaurant Operations

We have a group of district partners who ultimately report to our Chief Operating Officer, who in turn reports to our Chief Executive Officer. Each restaurant district partner typically supervises the operations of six to nine restaurants in their respective geographic areas, and is in frequent contact with each location. We additionally have district chefs, who report up to two Corporate Executive Chefs, one for each brand. Each district chef oversees several restaurants and works with the district partners at each location to maintain consistency across all of our restaurants. The staffing at our restaurants typically consists of a general manager, two to three assistant managers, an executive chef and one to three sous chefs. In addition, our restaurants typically employ 60 to 150 hourly employees. Our operational philosophy is as follows:

- *Offer Italian Food and Wines.* We seek to differentiate ourselves from other multi-location restaurants by offering affordable cuisine prepared using fresh ingredients and authentic Italian cooking methods. To ensure that the menu is consistently prepared to our high standards, we have developed a comprehensive ten week management training program. As part of their skill preparation, all of our executive chefs perform a cooking demonstration. This enables our Corporate Executive Chefs to evaluate a candidate's skill set. All executive chefs are required to complete ten weeks of kitchen training, including mastering all stations, ordering, receiving and inventory control. Due to our high average unit volumes, the executive chefs are trained throughout the ten weeks to ensure that their food is consistently prepared on a timely basis. In addition, all executive chefs are trained on product and labor management programs to achieve maximum efficiencies. Both of these tools reinforce our commitment to training our employees to run their business from a profit and loss perspective, as well as the culinary side. We offer made-to-order menu items prepared using traditional Italian culinary techniques with an emphasis on fresh ingredients and authentic recipes. Our food menu is complemented by a wine list that offers both familiar varieties as well as wines exclusive to our restaurants. An attention to detail, culinary expertise and focused execution reflects our chef-driven culture. Each brand's menu has its own distinctive flavor profile, with BRAVO! favoring the more classic Italian cuisine that includes a variety of pasta dishes and pizzas and BRIO favoring a broader selection of premium steaks, chops, seafood, flatbreads, bruschettas and pastas. All of our new menu items are developed by our Corporate Executive Chefs through a six month ideation process designed to meet our high standards of quality and exceed our guests' expectations.
- *Deliver Superior Guest Service.* We are committed to delivering superior service to each guest, at each meal, each and every day. Significant time and resources are spent in the development and implementation of our training programs, resulting in a comprehensive service system for both hourly

service people and management. We offer guests prompt, friendly and efficient service, keeping wait staff-to-table ratios high, and staffing each restaurant with experienced "on the floor" management teams to ensure consistent and attentive guest service. We employ food runners to ensure prompt delivery of fresh dishes at the appropriate temperature, thus allowing the wait staff to focus on overall guest satisfaction. All service personnel are thoroughly trained in the specific flavors of each dish. Using a thorough understanding of our menu, the servers assist guests in selecting menu items complementing individual preferences. Only trained, experienced chefs and culinary staff are hired and allowed to operate in the kitchen. Best-in-class service standards are designed to ensure satisfied guests and attract both new and repeat guest traffic.

- *Leverage Our Partnership Management Philosophy.* A key element to our current expansion and success has been the development of our partnership management philosophy, which is based on the premise that active and ongoing economic participation (via a bonus plan) by each restaurant's general manager, executive chef, assistant managers and sous chefs is essential to long-term success. The purpose of this structure is to attract and retain an experienced management team, incentivize the team to execute our strategy and objectives and provide stability to the operating management team. This program is offered to all restaurant management. This provides our management team with the financial incentive to develop people, build lifelong guests and operate their restaurants in accordance with our standards.

Sourcing and Supply

To ensure the highest quality menu ingredients, raw materials and other supplies, we continually research and evaluate products. We contract with Distribution Market Advantage, or DMA, a cooperative of multiple food distributors located throughout the nation, and US Foods for the broadline distribution of most of our food products. DMA is a company with whom we negotiate and gain access to third party food distributors and suppliers. In fiscal 2012, distributors through our DMA arrangement supplied us with approximately 66% of our food supplies. We utilize two primary distributors, Gordon Food Service ("GFS"), and Ben E. Keith Company ("BEK"), for the majority of our food distribution under the DMA arrangement. In fiscal 2012, GFS and BEK distributed approximately 87% and 13%, respectively, of the food supplies distributed through our DMA arrangement. In fiscal 2012, US Foods supplied us with approximately 6% of our food supplies. We negotiate pricing and volume terms directly with certain of our suppliers and distributors or through DMA and US Foods. Currently, we have pricing understandings of varying lengths with several of our distributors and suppliers, including our distributors and suppliers of poultry, certain seafood products, dairy products, soups and sauces, bakery items and certain meat products. Our restaurants place orders directly with GFS, BEK or US Foods and maintain regular distribution schedules.

Our purchasing contracts cover substantially all of our requirements for a specific product. Our contracts typically provide either for fixed or variable pricing based on an agreed upon cost-plus formula and require that our suppliers deliver directly to our distributors. In addition to our broadline distribution arrangements, we utilize direct distribution for several products, including a majority of our meat and fresh seafood deliveries, produce and alcoholic beverages. We also contract with a third party provider to supply, maintain and remove our cooking shortening and oil systems.

We have a procurement strategy for all of our product categories that includes contingency plans for key products, ingredients and supplies. These plans include selecting suppliers that maintain alternate production facilities capable of satisfying our requirements, or in certain instances, the approval of secondary suppliers or alternative products. We believe our procurement strategy will allow us to obtain sufficient product quantities from other sources at competitive prices.

Food Safety

Providing a safe and clean dining experience for our guests is essential to our mission statement. We have taken steps to mitigate food quality and safety risks, including designing and implementing a training program for our chefs, hourly service people and managers focusing on food safety and quality assurance. In addition, we include food safety standards and procedures in every recipe for our cooks. We also consider food safety and quality assurance when selecting our distributors and suppliers. Our suppliers are inspected by federal, state and local regulators or other reputable, qualified inspection services, which helps ensure their compliance with all federal food safety and quality guidelines.

Marketing and Advertising

The target audience for BRAVO! and BRIO is college-educated professionals, ages 35-65, and their families that dine out frequently for social or special occasions. Our marketing strategy is designed to promote and build brand awareness while retaining local neighborhood relationships by focusing on driving comparable restaurant sales growth by increasing frequency of visits by our current guests as well as attracting new guests. Our marketing strategy also focuses on generating brand awareness at new store openings.

Local Restaurant Marketing

A significant portion of our marketing budget is spent on point-of-sale materials to communicate and promote key brand initiatives to our guests while they are dining in our restaurants. We believe that our initiatives, such as seasonal menu changes, holiday promotions, bar promotions, private party and banquet offerings, contribute to repeat guest visits for multiple occasions and drive brand awareness and loyalty.

A key aspect of our local store marketing strategy is developing community relationships with local schools, churches, hotels, chambers of commerce and residents. We place advertisements with junior high and high school athletic programs, school newspapers and special event programs as well as weekly bulletins for churches. We believe courting and catering to local hotel concierges or hosting annual receptions drives traveler recommendations for BRAVO! and BRIO. Participating in off-site food and charity fairs and events allows us to make contact with local families. Hosting chamber of commerce meetings and mixers, advertising in newsletters and sending out e-blasts have also been successful in reaching the business community. Our restaurant managers are closely involved in developing and implementing the majority of the local store marketing programs.

Advertising

We spend a limited amount of our marketing budget on various advertising outlets, including print, radio, television, direct mail and outdoor, to build brand awareness. These advertisements are designed to emphasize the quality and consistency of BRAVO! and BRIO's food and service and the superior guest experience we offer in a warm and inviting atmosphere. Direct mail is used for new store openings and occasionally has been used to promote special holiday offers and events.

New Restaurant Openings

We use the openings of new restaurants as opportunities to reach out to various media outlets as well as the local community. Local public relations firms are retained to assist BRAVO! and BRIO with obtaining appearances on radio and television cooking shows, establishing relationships with local charities and gaining coverage in local newspapers and magazines. We employ a variety of marketing techniques to promote new openings along with press releases, direct mail, e-marketing and other local restaurant marketing activities, which include concierge parties, training lunches and dinners with local residents, media, community leaders and businesses. In addition, we typically partner with local charities and host events during the first month of our grand openings.

E-Marketing & Social Media

We have increased our use of e-marketing tools, including social media, which enables us to reach a significant number of people in a timely and targeted fashion at a fraction of the cost of traditional media. We believe that BRAVO! and BRIO guests are frequent internet users and will explore e-applications to make dining decisions or to share dining experiences. We have set up Facebook and Twitter pages and developed mobile applications for BRAVO! and BRIO, along with advertising on google.com, yelp.com and urbanspoon.com. We anticipate allocating an increasing amount of marketing budget toward this rapidly growing area.

Loyalty Programs

In 2012, we rolled out loyalty programs for both brands. The programs called “MyBRIO Rewards” and “MyBRAVO Rewards” enable us to reward loyal guests for their continuous dining at our restaurants. Guests can register at BRIO and BRAVO! locations or online at www.myBRIOReward.com or www.myBRAVOReward.com. Guests who join will receive exclusive offers, special event information and other announcements via email. Specific rewards will be loaded onto the guest’s card for special occasions such as a birthday as well as surprise and delight rewards added at various times throughout the year. We anticipate this program will give our long time guests more reasons to continue to dine with us more often and encourage new guests to come through our doors.

Training and Employee Programs

We conduct comprehensive training programs for our management, hourly employees and corporate personnel. Our training department provides a series of formulated training modules that are used throughout our company, including leadership training, team building, food safety certification, alcohol safety programs, guest service philosophy training, sexual harassment training and others. E-learning is utilized for several management training modules in our ten week management training program, which culminates in three days of classroom certification and testing.

We utilize a specific training process for new restaurant openings, which is overseen by regional trainers who conduct both service and kitchen training and are on site through the first two weeks of opening. The regional trainers lend support and introduce our standards and culture to the new team. We believe that hiring the best available team members and committing to their training helps keep retention high during the restaurant opening process.

We have a training and employee development program called Bravo Brio Restaurant Group University (BBRGU). The “Rising Star” program, which was created as part of BBRGU to develop aspiring hourly team members into assistant managers and chefs, has been an instrumental part of our training and retention program. The key element of the Rising Star program is to provide upward mobility within the organization, utilizing existing labor hours in the restaurants for focused training for the most promising employees. Many of our general managers and executive chefs have gained their positions through internal promotions as a result of this program. Once an employee is identified as a potential leader through observation and assessment, a customized development program is designed that incorporates mentoring, coaching and training.

Management Information Systems

Restaurant level financial and accounting controls are handled through a sophisticated point-of-sale (“POS”) cash register system and computer network in each restaurant that communicates with our corporate headquarters. The POS system is also used to authorize and transmit credit card sales transactions. All of our restaurants use MICROS RES 3700 software with state-of-the-art equipment. Our restaurant communications are comprised of cable, DSL, Fractional T1 and T1 lines. Our restaurants use back-office applications to manage the business and control both food and labor costs. The food control software helps drive food and beverage costs down by identifying kitchen or bar inefficiencies and, through the menu engineering capabilities, it aides in enhancing profitability. The labor control software provides the ability to schedule labor and manage labor costs, including time clock governance that does not allow an employee to “clock in” more than a designated amount of time before a scheduled shift.

We have an enterprise reporting package (ERP) system which includes general ledger, accounts payable, fixed asset accounting, payroll and human resources subsystems. The data pulled from the restaurants is integrated into the Lawson system and a data warehouse. This data provides visibility to allow us to better analyze the business. In 2012 we updated our guest facing websites to provide a fresh look and additional graphics to provide a distinct brand image on each website. As part of the updates, we continued to optimize the search engine on our websites (www.bbrg.com, www.bravoitalian.com, www.brioitalian.com, www.bon-vie.com, www.workatbravo.com, www.workatbrio.com, www.mybravoreward.com, and www.mybrioreward.com). We continued to leverage our internal website called PASTAnet. This intranet site utilizing Microsoft Sharepoint provides us with the ability to collaborate, communicate, train and share information between the restaurants and our corporate office.

We continued with Online Ordering for our BRAVO! restaurants and launched Online Ordering in 2012 for BRIO. We also accept applications online via www.workatbravo.com and www.workatbrio.com; which were also updated in 2012. In connection with our initial public offering in October 2010, we launched our investor relations website, investors.bbrg.com. We continued to support the wireless access points in all of our restaurants to provide our guests wireless internet services.

Government Regulation

We are subject to numerous federal, state and local laws affecting our business. Each of our restaurants is subject to licensing and regulation by a number of government authorities, which may include alcoholic beverage control, nutritional information disclosure, product safety, health, sanitation, environmental, zoning and public safety agencies in the state or municipality in which the restaurant is located. Difficulties in obtaining or failures to obtain required licenses or approvals could delay or prevent the development and openings of new restaurants or could disrupt the operations of existing restaurants. We believe that we are in compliance in all material respects with all applicable governmental regulations and, to date, we have not experienced abnormal difficulties or delays in obtaining the licenses or approvals required to open or operate any of our restaurants.

During fiscal 2012, approximately 21% of our restaurant sales were attributable to alcoholic beverages. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county and municipal authorities, for licenses and permits to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be subject to penalties, temporary suspension or revocation for cause at any time. The failure of a restaurant to obtain its licenses, permits or other approvals, or any suspension of such licenses, permits or other approvals, would adversely affect that restaurant’s operations and profitability and could adversely affect our ability to obtain these licenses, permits and approvals elsewhere. Alcoholic beverage control regulations impact many aspects of the daily operations of our restaurants, including: the minimum ages of patrons and staff members consuming or serving these beverages, respectively; staff member alcoholic beverage training and certification requirements; hours of operation; advertising; wholesale purchasing and inventory control of these beverages; the seating of minors and the servicing of food within our bar areas; special menus and events, such as happy hours; and the storage and dispensing of alcoholic beverages. State and local authorities in many jurisdictions routinely monitor compliance with alcoholic beverage laws.

We are also subject to “dram shop” statutes in most of the states in which we operate, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person who then causes injury to himself or a third party. We train our staff on how to serve alcohol, and we carry liquor liability coverage as part of our comprehensive general liability insurance. We have never been named as a defendant in a lawsuit involving a “dram shop” statute.

Various federal and state labor laws govern our operations and our relationships with our staff members, including such matters as minimum wages, meal and rest breaks, overtime, tip credits, fringe benefits, family leave, safety, working conditions, unionization, citizenship or work authorization requirements and hiring and employment practices. We are also subject to increasingly complex federal and state immigration laws and regulations, including regulations of the U.S. Citizenship and Immigration Services and U.S. Customs and Immigration Enforcement. In addition, some states in which we operate have adopted immigration employment laws which impose additional conditions on employers. Even if we operate our restaurants in strict compliance with the laws, rules and regulations of these federal and state agencies, some of our staff members may not meet federal citizenship or residency requirements or may lack appropriate work authorizations, which could lead to a disruption in our work force. We are also subject to federal and state child labor laws which, among other things, prohibit the use of certain “hazardous equipment” by staff members younger than 18 years old.

Significant government-imposed increases in minimum wages, paid or unpaid leaves of absence, sick leave and mandated health benefits, or increased tax reporting, assessment or payment requirements related to our staff members who receive gratuities, could be detrimental to the profitability of our restaurants. Minimum wage increases in recent years at the federal level and in the states in which we operate have impacted the profitability of our restaurants and led to increased menu prices. In addition, the costs of insurance and medical care have risen significantly over the past few years and are expected to continue to increase. We are continuing to review and assess the impact of the national health care reform legislation enacted on March 23, 2010, the Patient Protection and Affordable Care Act (the “PPACA”), on our health care benefit costs. The requirement that we provide health insurance benefits to staff members that are more extensive than the health insurance benefits we currently provide, or the additional employer paid employment taxes on income earned by our employees, could have an adverse effect on our results of operations and financial position. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs for goods and services supplied to us. While we carry employment practices insurance covering a variety of labor-related liability claims, a settlement or judgment against us that is uninsured or in excess of our coverage limitations could have a material adverse effect on our results of operations, liquidity or financial position.

We are subject to a variety of federal and state environmental regulations, including various laws concerning the handling, storage and disposal of hazardous materials, such as cleaning solvents, and the operation of restaurants in environmentally sensitive locations may impact aspects of our operations. We do not anticipate that compliance with federal, state and local provisions regulating the discharge of materials into the environment, or which otherwise relate to the protection of the environment, will have a material adverse effect upon our capital expenditures, revenues or competitive position.

Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 (“ADA”) and related federal and state statutes. The ADA prohibits discrimination on the basis of disability with respect to public accommodations and employment. Under the ADA and related federal and state laws, we must make access to our new or significantly remodeled restaurants readily accessible to disabled persons. We must also make reasonable accommodations for the employment of disabled persons.

We are also subject to laws and regulations relating to information security, privacy, cashless payments, gift cards and consumer credit, protection and fraud, and any failure or perceived failure to comply with these laws and regulations could harm our reputation or lead to litigation, which could adversely affect our financial condition.

We have a significant number of hourly restaurant staff members who receive income from gratuities. We have elected to voluntarily participate in a Tip Reporting Alternative Commitment (“TRAC”) agreement with the Internal Revenue Service (“IRS”). By complying with the educational and other requirements of the TRAC agreement, we reduce the likelihood of potential employer-only FICA tax assessments for unreported or underreported tips. However, we rely on our staff members to accurately disclose the full amount of their tip income and our reporting on the disclosures provided to us by such tipped employees.

See Item 1A “Risk Factors” for a discussion of risks relating to federal, state and local regulation of our business.

Intellectual Property

We currently own seven separate registrations in connection with restaurant service from the United States Patent and Trademark Office for the following trademarks: BRAVO! ®, BRAVO! Cucina Italiana ®, Cucina

BRAVO! Italiana ®, BRAVO! Italian Kitchen ®, Brio ®, Brio Tuscan Grille ™ and Bon Vie ®. Our registrations confer a federally recognized exclusive right for us to use these trademarks throughout the United States, and we can prevent the adoption of confusingly similar trademarks by other restaurants that do not possess superior common law rights in particular markets. An important part of our intellectual property strategy is the monitoring and enforcement of our rights in markets in which our restaurants currently exist or markets which we intend to enter in the future. We also monitor trademark registers to oppose the registration of confusingly similar trademarks or to limit the expansion of existing trademarks with superior common law rights.

We enforce our rights through a number of methods, including the issuance of cease-and-desist letters or making infringement claims in federal court. If our efforts to protect our intellectual property are inadequate, or if any third party misappropriates or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance.

Competition

The restaurant business is intensely competitive with respect to food quality, price-value relationships, ambiance, service and location, and is affected by many factors, including changes in consumer tastes and discretionary spending patterns, macroeconomic conditions, demographic trends, weather conditions, the cost and availability of raw materials, labor and energy and government regulations. Any change in these or other related factors could adversely affect our restaurant operations. The main competitors for our brands are other operators of mid-priced, full service concepts in the multi-location, upscale affordable dining segment in which we compete most directly for real estate locations and guests, including Maggiano’s, Cheesecake Factory, P.F. Chang’s and BJ’s Restaurants. We also compete to a lesser extent with nationally recognized casual dining Italian restaurants such as Romano’s Macaroni Grill, Carrabba’s Italian Grill and Olive Garden, as well as high quality, locally-owned and operated Italian restaurants.

There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours. In addition, many of our competitors are well established in the markets where our operations are, or in which they may be, located. While we believe that our restaurants are distinctive in design and operating concept, other companies may develop restaurants that operate with similar concepts. In addition, with improving product offerings at fast casual restaurants, quick-service restaurants and grocery stores, consumers may choose to trade down to these alternatives, which could also negatively affect our financial results.

Employees

As of December 30, 2012, we had approximately 9,500 employees of whom approximately 100 were corporate management and staff personnel, approximately 600 were restaurant managers or trainees, and approximately 8,800 were employees in non-management restaurant positions. None of our employees are unionized or covered by a collective bargaining agreement.

Available Information

We maintain a website at www.bbrg.com. On our website, we make available at no charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, all amendments to those reports, and our proxy statements as soon as reasonably practicable after we electronically file this material with or furnish it to the SEC. Our filings are also available on the SEC’s website at www.sec.gov. Additionally, we make available free of charge on our website our Code of Business Conduct and Ethics; the charter of the Nominating and Corporate Governance Committee of our Board of Directors; the charter of the Compensation Committee of our Board of Directors; and the charter of the Audit Committee of our Board of Directors. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this report.

Item 1A. *Risk Factors.*

In addition to the factors discussed elsewhere in this annual report on Form 10-K, the following are important factors which could cause actual results or events to differ materially from those contained in any forward-looking statements made by or on behalf of us. We operate in a competitive and dynamic environment and therefore it is not possible for us to predict the impact these or any other factors could have on us or the extent to which any one factor, or combination of factors, may adversely affect our results.

Risks Relating to Our Business and Industry

Our financial results depend significantly upon the success of our existing and new restaurants.

Future growth in revenues and profits will depend on our ability to grow sales and efficiently manage costs in our existing and new restaurants. As of December 30, 2012, we operated 48 BRAVO! restaurants and 55 BRIO restaurants, of which one BRAVO! restaurant and nine BRIO restaurants were opened within the preceding twelve months. One of the BRIO locations opened in the past twelve months operates pursuant to a management agreement and, outside of a management fee, there is no impact on our financial statements. The results achieved by these restaurants may not be indicative of longer-term performance or the potential market acceptance of restaurants in other locations.

In particular, the success of our restaurants revolves principally around guest traffic and average check per guest. Significant factors that might adversely impact our guest traffic levels and average guest check include, without limitation:

- declining economic conditions, including housing market downturns, rising unemployment rates, lower disposable income and consumer confidence and other events or factors that adversely affect consumer spending in the markets we serve;
- increased competition (both in the upscale affordable dining segment and in other segments of the restaurant industry);
- changes in consumer preferences;
- guests' budgeting constraints and choosing not to order certain high-margin items such as desserts and beverages (both alcoholic and non-alcoholic);
- guests' failure to accept menu price increases that we may make to offset increases in key operating expenses;
- our reputation and consumer perception of our concepts' offerings in terms of quality, price, value and service; and
- guest experiences from dining in our restaurants.

Our restaurants are also susceptible to increases in certain key operating expenses that are either wholly or partially beyond our control, including, without limitation:

- food and other raw materials costs, many of which we do not or cannot effectively hedge;
- labor costs, including wage, workers' compensation, health care and other benefits expenses;
- rent expenses and other costs under leases for our new and existing restaurants;
- energy, water and other utility costs;
- costs for insurance (including health, property, liability and workers' compensation);
- information technology and other logistical costs; and
- expenses due to litigation against us.

The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

Our long-term success is highly dependent on our ability to successfully develop and expand our operations.

We intend to develop new restaurants in our existing markets, and selectively enter into new markets. Since the start of 2008, we have expanded from 38 BRAVO! restaurants and 25 BRIO restaurants to 48 BRAVO! restaurants and 55 BRIO restaurants, as of December 30, 2012. The number and timing of new restaurants actually opened during any given period, and their associated contribution to operating growth, may be negatively impacted by a number of factors including, without limitation:

- our inability to generate sufficient funds from operations or to obtain favorable financing to support our development;
- identification and availability of, and competition for, high quality locations that will continue to drive high levels of sales per unit;
- acceptable lease arrangements, including sufficient levels of tenant allowances and construction contributions;
- the financial viability of our landlords, including the availability of financing for our landlords;
- construction and development cost management;
- timely delivery of the leased premises to us from our landlords and punctual commencement of build-out construction activities;
- delays due to the highly customized nature of our restaurant concepts and the complex design, construction and pre-opening processes for each new location;
- obtaining all necessary governmental licenses and permits on a timely basis to construct and operate our restaurants;
- competition in new markets, including competition for restaurant sites;
- unforeseen engineering or environmental problems with the leased premises;
- adverse weather during the construction period;
- unanticipated commercial, residential and infrastructure development near our new restaurants;
- recruitment of qualified managers, chefs and other key operating personnel; and
- other unanticipated increases in costs, any of which could give rise to delays or cost overruns.

We may not be able to open our planned new restaurants on a timely basis, if at all, and, if opened, these restaurants may not be operated profitably. We have experienced, and expect to continue to experience, delays in restaurant openings from time to time. Such actions may limit our growth opportunities. We cannot assure you that we will be able to successfully expand or acquire critical market presence for our brands in new geographical markets, as we may encounter well-established competitors with substantially greater financial resources. We may be unable to find attractive locations, acquire name recognition, successfully market our brands or attract new guests. Competitive circumstances and consumer characteristics in new market segments and new geographical markets may differ substantially from those in the market segments and geographical markets in which we have substantial experience. If we are unable to expand in existing markets or penetrate new markets, our ability to increase our revenues and profitability may be harmed.

Changes in economic conditions, including continuing effects from the recent recession, could materially affect our business, financial condition and results of operations.

We, together with the rest of the restaurant industry, depend upon consumer discretionary spending. The recent recession, coupled with high unemployment rates, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies and reduced access to credit and reduced consumer confidence, has impacted consumers' ability and willingness to spend discretionary dollars. Economic conditions may remain volatile and may continue to repress consumer confidence and discretionary spending for the near term. If the weak economy continues for a prolonged period of time or worsens, guest traffic could be adversely impacted if our guests choose to dine out less frequently or reduce the amount they spend on meals while dining out. We believe that if the current negative economic conditions persist for a long period of time or become more pervasive, consumers might make long-lasting changes to their discretionary spending behavior, including dining out less frequently on a permanent basis. Additionally, a decline in corporate travel and entertainment spending could result in a decrease in the traffic of business travelers at our restaurants. If restaurant sales decrease, our profitability could decline as we spread fixed costs across a lower level of sales. Reductions in staff levels, asset impairment charges and potential restaurant closures have resulted and could result from prolonged negative restaurant sales.

Damage to our reputation or lack of acceptance of our brands in existing and new markets could negatively impact our business, financial condition and results of operations.

We believe we have built a strong reputation for the quality and breadth of our menu and our restaurants, and we must protect and grow the value of our BRAVO! and BRIO brands to continue to be successful in the future. Any incident that erodes consumer affinity for our brands could significantly reduce their respective values and damage our business. If guests perceive or experience a reduction in food quality, service or ambiance, or in any way believe we failed to deliver a consistently positive experience, our brand value could suffer and our business may be adversely affected.

A multi-location restaurant business such as ours can be adversely affected by negative publicity or news reports, whether or not accurate, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other foodservice providers or others across the food industry supply chain. Negative publicity concerning E. coli bacteria, "mad cow" and "foot-and-mouth" disease relating to the consumption of beef and other meat products, "H1N1" or "swine flu" related to pork products, "avian flu" related to poultry products and the publication of government, academic or industry findings about health concerns relating to menu items served by our restaurants could affect consumer food preferences. The sale of food and prepared food products also involves the risk of injury or illness to our guests as a result of tampering by unauthorized third parties or product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents or residues introduced during the growing, storage, handling and transportation phases. These types of health concerns and negative publicity concerning our food products may adversely affect the demand for our food and negatively impact our business and results of operations. While we have taken steps to mitigate food quality, public health and other foodservice-related risks, these types of health concerns or negative publicity cannot be completely eliminated or mitigated and may materially harm our results of operations and result in damage to our brands. For example, in May 2006, a food virus outbreak in Michigan affected area restaurants, including one of our BRAVO! restaurants. As a result, this restaurant was closed for four days. While the effect of the outbreak was immaterial to our business, food quality issues or other public health concerns could have an adverse impact on our profitability.

In addition, our ability to successfully develop new restaurants in new markets may be adversely affected by a lack of awareness or acceptance of our brands in these new markets. To the extent that we are unable to foster name recognition and affinity for our brands in new markets, our new restaurants may not perform as expected and our growth may be significantly delayed or impaired.

Because many of our restaurants are concentrated in local or regional areas, we are susceptible to economic and other trends and developments, including adverse weather conditions, in these areas.

Our financial performance is highly dependent on restaurants located in Ohio, Florida, Michigan and Pennsylvania **,** which comprise approximately 40% of our total restaurants. As a result, adverse economic conditions in any of these areas could have a material adverse effect on our overall results of operations. In recent years, certain of these states have been more negatively impacted by the housing decline, high unemployment rates and the overall economic crisis than other geographic areas. In addition, given our geographic concentrations, negative publicity regarding any of our restaurants in these areas could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, hurricanes, droughts or other natural or man-made disasters.

In particular, adverse weather conditions can impact guest traffic at our restaurants, cause the temporary underutilization of outdoor patio seating, and, in more severe cases, cause temporary restaurant closures, sometimes for prolonged periods. Approximately 29% of our total restaurants are located in Ohio, Michigan and Pennsylvania, which are particularly susceptible to snowfall, and 13% of our total restaurants are located in Florida and Louisiana, which are particularly susceptible to hurricanes. Our business is subject to seasonal fluctuations, with restaurant sales typically higher during certain months, such as December. Adverse weather conditions during our most favorable months or periods may exacerbate the effect of adverse weather on guest traffic and may cause fluctuations in our operating results from quarter-to-quarter within a fiscal year. For example, Hurricane Sandy affected the entire eastern seaboard with extremely high winds, heavy rainfall and flooding in October 2012, which lead to reduced guest traffic and even closures at some of our restaurants. In addition, outdoor patio seating is available at most of our restaurants and may be impacted by a number of weather-related factors. Our inability to fully utilize our restaurants' seating capacity as planned may negatively impact our revenues and results of operations.

The impact of negative economic factors, including the availability of credit, on our landlords and other retail center tenants could negatively affect our financial results.

Negative effects on our existing and potential landlords due to the inaccessibility of credit and other unfavorable economic factors may, in turn, adversely affect our business and results of operations. If our landlords are unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease covenants to us. At December 30, 2012, none of our locations are owned, managed or controlled by a landlord that has filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the last 12 months. In addition, if our landlords are unable to obtain sufficient credit to continue to properly manage their retail sites, we may experience a drop in the level of quality of such retail centers. Our development of new restaurants may also be adversely affected by the negative financial situations of developers and potential landlords. Landlords continue to delay or cancel development projects (as well as renovations of existing projects) due to the instability in the credit markets and recent declines in consumer spending, which has reduced the number of high-quality locations available that we would consider for our new restaurants.

In addition, several other tenants at retail centers in which we are located or where we have executed leases have ceased operations or, in some cases, have deferred openings or failed to open after committing to do so. These failures may lead to reduced guest traffic at retail centers in which our restaurants are located and may contribute to lower guest traffic at our restaurants.

Changes in food availability and costs could adversely affect our operating results.

Our profitability and operating margins are dependent in part on our ability to anticipate and react to changes in food costs. We rely on local, regional and national distributors and suppliers to provide our produce, beef, poultry, seafood and other ingredients. We contract with DMA and US Foods for the broadline distribution of most of our food products. Other than for a portion of our commodities, which are purchased locally by each restaurant, we rely on GFS and BEK as the primary distributors of a majority of our ingredients. Through our agreement with DMA, we have a non-exclusive arrangement with both GFS and BEK on terms and conditions that we believe are consistent with those made available to similarly situated restaurant companies. Although we believe that alternative distribution sources are available, any increase in distribution prices or failure to perform by either GFS or BEK could cause our food costs to increase. Additionally, we currently rely on sole suppliers for certain of our food products, including substantially all of our soups and the majority of our sauces. Failure to identify an alternate source of supply for these items may result in significant cost increases. Increases in distribution costs or sale prices could also cause our food costs to increase. In addition, any material interruptions in our supply chain, such as a material interruption of ingredient supply due to the failures of third-party distributors or suppliers, or interruptions in service by common carriers that ship goods within our distribution channels, may result in significant cost increases and reduce sales. Changes in the price or availability of certain food products could affect our ability to offer a broad menu and price offering to guests and could materially adversely affect our profitability and reputation.

The type, variety, quality and price of produce, beef, poultry and seafood are more volatile than other types of food and are subject to factors beyond our control, including weather, governmental regulation, availability and seasonality, each of which may affect our food costs or cause a disruption in our supply. Our food distributors or suppliers also may be affected by higher costs to produce and transport commodities used in our restaurants, higher minimum wage and benefit costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. Although we are able to contract for the majority of the food commodities used in our restaurants for periods of up to one year, the pricing and availability of some of the commodities used in our operations cannot be locked in for periods of longer than one week or at all. Currently, we have pricing understandings of varying lengths with several of our distributors and suppliers, including our distributors and suppliers of poultry, seafood, dairy products, soups and sauces, bakery items and certain meat products. We do not use financial instruments to hedge our risk to market fluctuations in the price of beef, seafood, produce and other food products at this time. We may not be able to anticipate and react to changing food costs through our purchasing practices and menu price adjustments in the future, and failure to do so could negatively impact our revenues and results of operations.

Increases in our labor costs, including as a result of changes in government regulation, could slow our growth or harm our business.

We are subject to a wide range of labor costs. Because our labor costs are, as a percentage of revenues, higher than other industries, we may be significantly harmed by labor cost increases.

We retain the financial responsibility for up to $250,000 of risks and associated liabilities with respect to workers' compensation, general liability, employment practices and other insurable risks through our self insurance programs. Unfavorable fluctuations in market conditions, availability of such insurance or changes in state and/or federal regulations could significantly increase our self insurance costs and insurance premiums. In addition, we are subject to the risk of employment-related litigation at both the state and federal levels, including claims styled as class action lawsuits which are more costly to defend. Also, some employment related claims in the area of wage and hour disputes are not insurable risks.

Despite our efforts to control costs while still providing competitive health care benefits to our staff members, significant increases in health care costs continue to occur, and we can provide no assurance that our cost containment efforts in this area will be effective. Further, we are continuing to assess the impact of recently-adopted federal health care legislation on our health care benefit costs, and significant increases in such costs could adversely impact our operating results. There is no assurance that we will be able to pass through the costs of such legislation in a manner that will not adversely impact our operating results.

In addition, many of our restaurant personnel are hourly workers subject to various minimum wage requirements or changes to tip credits. Mandated increases in minimum wage levels and changes to the tip credit, which are the amounts an employer is permitted to assume an employee receives in tips when calculating the employee's hourly wage for minimum wage compliance purposes, have recently been and continue to be proposed and implemented at both federal and state government levels. Minimum wage increases or changes to allowable tip credits may increase our labor costs or effective tax rate.

Additionally, potential changes in labor legislation could result in portions of our workforce being subjected to greater organized labor influence. Although we do not currently have any unionized employees, future labor legislation could have an adverse effect on our business and financial results by imposing requirements that could potentially increase costs and reduce our operating flexibility.

Labor shortages could increase our labor costs significantly or restrict our growth plans.

Our restaurants are highly dependent on qualified management and operating personnel, including regional management, general managers and executive chefs. Qualified individuals have historically been in short supply and an inability to attract and retain them would limit the success of our existing restaurants as well as our development of new restaurants. We can make no assurances that we will be able to attract and retain qualified individuals in the future. Additionally, the cost of attracting and retaining qualified individuals may be higher than we anticipate, and as a result, our profitability could decline.

Guest traffic at our restaurants could be significantly affected by competition in the restaurant industry in general and, in particular, within the dining segments of the restaurant industry in which we compete.

The restaurant industry is highly competitive with respect to food quality, ambiance, service, price and value and location, and a substantial number of restaurant operations compete with us for guest traffic. The main competitors for our brands are other operators of mid-priced, full service concepts in the multi-location upscale affordable dining segment in which we compete most directly for real estate locations and guests, including Maggiano’s, Cheesecake Factory, P.F. Chang’s and BJ’s Restaurants. We also compete to a lesser extent with nationally recognized casual dining Italian restaurants such as Romano’s Macaroni Grill, Carrabba’s Italian Grill and Olive Garden, as well as high quality, locally-owned and operated Italian restaurants. Some of our competitors have significantly greater financial, marketing, personnel and other resources than we do, and many of our competitors are well established in markets in which we have existing restaurants or intend to locate new restaurants. Any inability to successfully compete with the other restaurants in our markets will place downward pressure on our guest traffic and may prevent us from increasing or sustaining our revenues and profitability. We may also need to evolve our concepts in order to compete with popular new restaurant formats or concepts that develop from time to time, and we cannot offer any assurance that we will be successful in doing so or that modifications to our concepts will not reduce our profitability. In addition, with improving product offerings at fast casual restaurants, quick-service restaurants and grocery stores and the influence of negative economic conditions and other factors, consumers may choose less expensive alternatives, which could also negatively affect guest traffic at our restaurants.

Legislation and regulations requiring the display and provision of nutritional information for our menu offerings, and new information or attitudes regarding diet and health or adverse opinions about the health effects of consuming our menu offerings, could affect consumer preferences and negatively impact our results of operations.

Government regulation and consumer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the health effects of consuming our menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings, or laws and regulations requiring us to disclose the nutritional content of our food offerings. For example, a number of states, counties and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information available to guests, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Furthermore, the PPACA establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus. Specifically, the PPACA requires chain restaurants with 20 or more locations operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information upon request. The FDA is also permitted to require additional nutrient disclosures, such as disclosure of trans-fat content. An unfavorable report on, or reaction to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings.

Certain provisions of the PPACA became effective upon enactment, while other provisions will require regulations to be promulgated by the FDA. It is expected that the FDA will not enforce the applicable provisions of the PPACA until these regulations are finalized. The PPACA specifically preempts conflicting state and local laws, and instead provides a single, national standard for nutrition labeling of restaurant menu items. However, until these provisions of the PPACA are fully adopted and effective, we will continue to be subject to a variety of state and local laws and regulations regarding nutritional content disclosure requirements, many of which are inconsistent or are interpreted differently from one jurisdiction to another.

Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. Additionally, if consumer health regulations or consumer eating habits change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes. We cannot predict the impact of the new nutrition labeling requirements under the PPACA, once they are issued and implemented. Additionally, some government authorities are increasing regulations regarding trans-fats and sodium, which may require us to limit or eliminate trans-fats and sodium from our menu offerings and switch to higher cost ingredients and may hinder our ability to operate in certain markets.

We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. While we believe that our ability to adapt to consumer preferences is a strength of our concepts, we are concerned that the imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general.

Our marketing programs may not be successful.

We expend significant resources in our marketing efforts, including our newly introduced loyalty programs, using a variety of media, including social media venues. We expect to continue to conduct brand awareness programs and guest initiatives to attract and retain guests. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors have greater financial resources, which enable them to purchase significantly more television and radio advertising than we are able to purchase. Should our competitors increase spending on advertising and promotions or our advertising funds decrease for any reason, or should our advertising and promotions be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.

The impact of new restaurant openings could result in fluctuations in our financial performance.

Quarterly results have been, and in the future may continue to be, significantly impacted by the timing of new restaurant openings (often dictated by factors outside of our control), including associated pre-opening costs and operating inefficiencies, as well as changes in our geographic concentration due to the opening of new restaurants. We typically incur the most significant portion of pre-opening expenses associated with a given restaurant within the two months immediately preceding and the month of the opening of the restaurant. Our experience has been that labor and operating costs associated with a newly opened restaurant for the first several months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Our new restaurants commonly take several months to reach planned operating levels due to inefficiencies typically associated with new restaurants, including the training of new personnel, lack of market awareness, inability to hire sufficient qualified staff and other factors. Accordingly, the volume and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability. Due to the foregoing factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for a full fiscal year, and these fluctuations may cause our operating results to be below expectations of public market analysts and investors.

Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.

The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant, whether using the same brand or a different brand, in or near markets in which we already have existing restaurants could adversely impact the sales of new or existing restaurants. We do not intend to open new restaurants that materially impact the existing sales of our existing restaurants. However, there can be no assurance that sales cannibalization between our restaurants will not occur or become more significant in the future as we continue to expand our operations.

Our business operations and future development could be significantly disrupted if we lose key members of our management team.

The success of our business continues to depend to a significant degree upon the continued contributions of our senior officers and key employees, both individually and as a group. Our future performance will be substantially dependent in particular on our ability to retain and motivate Saed Mohseni, our President and Chief Executive Officer and James J. O'Connor, our Chief Financial Officer, as well as certain of our other senior executive officers. We currently have employment agreements in place with Mr. Mohseni and Mr. O'Connor. The loss of the services of our CEO, CFO, senior officers or other key employees could have a material adverse effect on our business and plans for future development. We have no reason to believe that we will lose the services of any of these individuals in the foreseeable future; however, we currently have no effective replacement for any of these individuals due to their experience, reputation in the industry and special role in our operations. We also do not maintain any key man life insurance policies for any of our employees.

Our growth may strain our infrastructure and resources, which could slow our development of new restaurants and adversely affect our ability to manage our existing restaurants.

We opened one BRAVO! and nine BRIO restaurants in 2012, two BRAVO! and six BRIO restaurants in 2011, and two BRAVO! and three BRIO restaurants in 2010. Our recent and future growth may strain our restaurant management systems and resources, financial controls and information systems. Those demands on our infrastructure and resources may also adversely affect our ability to manage our existing restaurants. If we fail to continue to improve our infrastructure or to manage other factors necessary for us to meet our expansion objectives, our operating results could be materially and adversely affected. Likewise, if sales decline, we may be unable to reduce our infrastructure quickly enough to prevent sales deleveraging, which would adversely affect our profitability.

Restaurant companies have been the target of class-actions and other litigation alleging, among other things, violations of federal and state law.

We are subject to a variety of lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. In recent years, a number of restaurant companies have been subject to claims by guests, employees and others regarding issues such as food safety, personal injury and premises liability, employment-related claims, harassment, discrimination, disability and other operational issues common to the foodservice industry. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been instituted against us from time to time, including a 2004 class action lawsuit initiated by servers at a BRIO location in Newport, Kentucky. In this lawsuit, certain of our servers alleged that they were required to remit back to the restaurant a percentage of their tips in violation of Kentucky law. While we settled this lawsuit for an immaterial amount and no other such lawsuits have had a material impact historically **,** an adverse judgment or settlement that is not insured or is in excess of insurance coverage could have an adverse impact on our profitability and could cause variability in our results compared to expectations. We are self-insured, or carry insurance programs with specific retention levels, for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, employer's practice liability, director and officer and other insurable risks. Regardless of whether any claims against us are valid or whether we are ultimately determined to be liable, we could also be adversely affected by negative publicity, litigation costs resulting from the defense of these claims and the diversion of time and resources from our operations.

Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability.

We believe our insurance coverage is customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. These losses, if they occur, could have a material and adverse effect on our business and results of operations. In addition, the cost of workers' compensation insurance, general liability insurance, employer's practice liability insurance and directors' and officers' liability insurance fluctuates based on our historical trends, market conditions and availability. Additionally, health insurance costs in general have risen significantly over the past few years and are expected to continue to increase in 2013 and beyond. These increases, as well as recently-enacted federal legislation requiring employers to provide specified levels of health insurance to all employees, could have a negative impact on our profitability, and there can be no assurance that we will be able to successfully offset the effect of such increases with plan modifications and cost control measures, additional operating efficiencies or the pass-through of such increased costs to our guests.

Our indebtedness may limit our ability to invest in the ongoing needs of our business.

We have a substantial amount of indebtedness. In connection with the initial public offering of our common shares, we repaid all outstanding loans under our previously existing senior credit facilities and entered into new senior credit facilities that included a $45.0 million term loan facility and a $40.0 million revolving credit facility. As of December 30, 2012, we had approximately $23.1 million of outstanding indebtedness under our term loan facility and no outstanding indebtedness under our revolving credit facility. As of December 30, 2012, we had $37.4 million of revolving loan availability under our senior revolving credit facility (after giving effect to $2.6 million of outstanding letters of credit). For the years ended December 30, 2012 and December 25, 2011, our net principal repayments on indebtedness were $9.5 million and $8.4 million, respectively, and cash interest payments for such periods were $1.0 million and $1.4 million, respectively. Our senior credit facilities mature in 2015, and borrowings under the senior credit facilities bear interest at our option of either (i) the Alternate Base Rate (as such term is defined in our credit agreement) plus the applicable margin of 1.75% to 2.25% or (ii) at a fixed rate for a period of one, two, three or six months equal to the London interbank offered rate, LIBOR, plus the applicable margin of 2.75% to 3.25%. See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources — Current Resources."

Our indebtedness could have important consequences to you. For example, it:

- requires us to utilize a portion of our cash flow from operations to payments on our indebtedness, reducing the availability of our cash flow to fund working capital, capital expenditures, development activity and other general corporate purposes;
- increases our vulnerability to adverse general economic or industry conditions;
- limits our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate;
- makes us more vulnerable to increases in interest rates, as borrowings under our senior credit facilities are at variable rates;
- limits our ability to obtain additional financing in the future for working capital or other purposes; and
- places us at a competitive disadvantage compared to our competitors that have less indebtedness.

Although our senior credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness.

Our senior credit facilities require us to maintain certain fixed charge coverage ratios and leverage ratios which become more restrictive over time. While we have never defaulted on compliance with any financial covenants under the terms of our indebtedness, our ability to comply with these ratios in the future may be affected by events beyond our control, and an inability to comply with the required financial ratios could result in a default under our senior credit facilities. In the event of any default, the lenders under our senior credit facilities could elect to terminate lending commitments and declare all borrowings outstanding, together with accrued and unpaid interest and other fees, to be immediately due and payable.

See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources."

We may be unable to obtain debt or other financing on favorable terms or at all.

There are inherent risks in our ability to borrow. Our lenders may have suffered losses related to their lending and other financial relationships, especially because of the general weakening of the national economy, increased financial instability of many borrowers and the declining value of their assets. As a result, lenders may become insolvent or tighten their lending standards, which could make it more difficult for us to borrow under our senior credit facilities, refinance our existing indebtedness or to obtain other financing on favorable terms or at all. Our financial condition and results of operations would be adversely affected if we were unable to draw funds under our senior credit facilities because of a lender default or to obtain other cost-effective financing.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business can be arranged. Such measures could include deferring capital expenditures (including the opening of new restaurants) and reducing or eliminating other discretionary uses of cash.

We may be required to record additional asset impairment charges in the future.

We review long-lived assets, such as property and equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. The other factors and circumstances include changes in the economic environment, changes in the manner in which assets are used, unfavorable changes in legal factors or business climate, incurring excess costs in construction of the asset, overall restaurant operating performance and projections for financial performance. These estimates result in a wide range of variability on a year to year basis due to the nature of the criteria. We evaluate future cash flow projections in conjunction with qualitative factors and future operating plans. Our impairment assessment process requires the use of estimates and assumptions regarding future undiscounted cash flows and operating outcomes, which are based upon a significant degree of management's judgment. Based on this analysis, if we believe that the carrying amount of the assets are not recoverable, an impairment charge is recognized based upon the amount by which the assets carrying value exceeds fair value. See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Accounting Policies — Impairment of Long-Lived Assets." As a result of the above mentioned review process, we incurred an asset impairment charge of approximately $4.1 million in 2012 related to two restaurants and an asset impairment charge of approximately $2.2 million in fiscal 2011 related to one restaurant.

Continued economic weakness within our respective markets may adversely impact consumer discretionary spending and may result in lower restaurant sales. Unfavorable fluctuations in our commodity costs, supply costs and labor rates, which may or may not be within our control, may also impact our operating margins. Any of these factors could as a result affect the estimates used in our impairment analysis and require additional impairment tests and charges to earnings. We continue to assess the performance of our restaurants and monitor the need for future impairment. There can be no assurance that future impairment tests will not result in additional charges to earnings.

Security breaches of confidential guest information in connection with our electronic processing of credit and debit card transactions may adversely affect our business.

The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information of their customers has been stolen. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our guests' credit or debit card information. Any such claim or proceeding, or any adverse publicity resulting from these allegations, may have a material adverse effect on us and our restaurants.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks and other proprietary intellectual property, including our names and logos and the ambiance of our restaurants. We have registered or applied to register a number of our trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our goods and services, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands.

If our efforts to register, maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance. We may also face the risk of claims that we have infringed third parties' intellectual property rights. If third parties claim that we infringe upon their intellectual property rights, our operating profits could be adversely affected. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, require us to rebrand our services, if feasible, divert management's attention and resources or require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us could result in our being required to pay significant damages, enter into costly license or royalty agreements, or stop the sale of certain products or services, any of which could have a negative impact on our operating profits and harm our future prospects.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations, including point-of-sale processing at our restaurants. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, worms and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us to litigation or actions by regulatory authorities. Although we employ both internal resources and external consultants to conduct auditing and testing for weaknesses in our systems, controls, firewalls and encryption and intend to maintain and upgrade our security technology and operational procedures to prevent such damage, breaches or other disruptive problems, there can be no assurance that these security measures will be successful.

A major natural or man-made disaster at our corporate facility could have a material adverse effect on our business.

Most of our corporate systems, processes and corporate support for our restaurant operations are centralized at one Ohio location with certain systems and processes being concurrently stored at an offsite storage facility in accordance with our disaster recovery plan. Back-up data tapes are also sent to a separate off-site location on a weekly basis. As part of our disaster recovery plan, we backup data and environments from our core systems to our co-location facility. Failures or delays in recovery of data, delayed reporting and compliance, inability to perform necessary corporate functions and other breakdowns in normal operating procedures could have a material adverse effect on our business and create exposure to administrative and other legal claims against us.

We incur increased cost obligations as a result of being a public company.

Prior to October 26, 2010, as a privately held company, we were not required to comply with certain corporate governance and financial reporting practices and policies required of a publicly traded company. New and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) and the Nasdaq Global Market, have created uncertainty for public companies and increased our costs and time that our board of directors and management must devote to complying with these rules and regulations. We expect these rules and regulations to increase our legal and financial compliance costs and lead to a diversion of management time and attention from revenue generating activities.

Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management’s attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a publicly traded company. However, the measures we take may not be sufficient to satisfy our obligations as a publicly traded company.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting and requires a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. While we are in compliance with the Sarbanes-Oxley Act for fiscal 2012, there is no guarantee that we will meet all areas of compliance in future years. We will be unable to issue securities in the public markets through the use of a shelf registration statement if we are not in compliance with Section 404. Furthermore, failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and share price and could limit our ability to report our financial results accurately and timely.

Federal, state and local tax rules may adversely impact our results of operations and financial position.

We are subject to federal, state and local taxes in the U.S. Although we believe our tax estimates are reasonable, if the IRS or other taxing authority disagrees with the positions we have taken on our tax returns, we could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position. In addition, complying with new tax rules, laws or regulations could impact our financial condition, and increases to federal or state statutory tax rates and other changes in tax laws, rules or regulations may increase our effective tax rate. Any increase in our effective tax rate could have a material impact on our financial results. In 2012, our 2010 federal tax return was audited by the IRS. While the audit is currently open, we do not believe that there will be any material findings; however, there is no guarantee that there will not be findings in this audit, future audits will not be conducted, or any findings recorded in a separate audit for another period.

Risks Relating to Our Common Shares

The price of our common shares may be volatile and you could lose all or part of your investment.

Volatility in the market price of our common shares may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common shares could fluctuate significantly for various reasons, which include:

- our quarterly or annual earnings or those of other companies in our industry;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to our business;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in accounting standards, policies, guidance, interpretations or principles;
- additions or departures of our senior management personnel;
- sales of common shares by our directors and executive officers;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by shareholders;
- the level and quality of research analyst coverage for our common shares, changes in financial estimates or investment recommendations by securities analysts following our business or failure to meet such estimates;
- the financial disclosure we may provide to the public, any changes in such disclosure or our failure to meet such disclosure;
- various market factors or perceived market factors, including rumors, whether or not correct, involving us, our distributors or suppliers or our competitors;
- introductions of new offerings or new pricing policies by us or by our competitors;
- acquisitions or strategic alliances by us or our competitors;
- short sales, hedging and other derivative transactions in our common shares;
- the operating and stock price performance of other companies that investors may deem comparable to us; and
- other events or factors, including changes in general conditions in the United States and global economies or financial markets (including those resulting from Acts of God, war, incidents of terrorism or responses to such events).

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The price of our common shares could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price.

In the past, following periods of market volatility in the price of a company's securities, security holders have often instituted class action litigation. If the market value of our common shares experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management's attention could be diverted from the operation of our business, causing our business to suffer.

Future sales of our common shares in the public market could lower our share price.

Sales of substantial amounts of our common shares in the public market by our existing shareholders, upon the exercise of outstanding stock options, vesting of shares of restricted stock or shares of stock granted in the future or by persons who acquire shares in the public market may adversely affect the market price of our common shares. Such sales could also create public perception of difficulties or problems with our business. These sales might also make it more difficult for us to sell securities in the future at a time and price that we deem appropriate.

As of December 30, 2012, we had 19,820,428 common shares issued, and 224,172 treasury shares repurchased during 2012. In addition, we have reserved 1.9 million common shares for issuance under the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan, of which 345,312 shares are subject to vesting under outstanding restricted stock awards and 1,406,271 shares remain eligible for future issuance. Stock options to purchase an aggregate of 992,192 common shares are currently vested and outstanding under the Bravo Development, Inc. Option Plan.

If securities analysts or industry analysts downgrade our shares, publish negative research or reports, or do not publish reports about our business, our share price and trading volume could decline.

The trading market for our common shares is influenced by the research and reports that industry or securities analysts publish about us, our business and our industry. If one or more analysts adversely change their recommendation regarding our shares or our competitors' stock, our share price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Certain provisions of Ohio law and our articles of incorporation and regulations may deter takeover attempts, which may limit the opportunity of our shareholders to sell their shares at a favorable price, and may make it more difficult for our shareholders to remove our board of directors and management.

Provisions in our articles of incorporation and regulations may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- advance notice requirements for shareholders proposals and nominations;
- availability of "blank check" preferred shares;
- establishment of a classified board of directors so that not all members of our board of directors are elected at one time;
- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or due to the resignation or departure of an existing board member;
- the prohibition of cumulative voting in the election of directors, which would otherwise allow less than a majority of shareholders to elect director candidates; and
- limitations on the removal of directors.

In addition, because we are incorporated in Ohio, we are governed by the provisions of Section 1704 of the Ohio Revised Code. These provisions may prohibit large shareholders, particularly those owning 10% or more of our outstanding voting stock, from merging or combining with us. These provisions in our articles of incorporation and regulations and under Ohio law could discourage potential takeover attempts, could reduce the price that investors are willing to pay for our common shares in the future and could potentially result in the market price being lower than it would without these provisions.

Although no preferred shares were outstanding as of December 30, 2012 and although we have no present plans to issue any preferred shares, our articles of incorporation authorize the board of directors to issue up to 5,000,000 preferred shares. The preferred shares may be issued in one or more series, the terms of which will be determined at the time of issuance by our board of directors without further action by the shareholders. These terms may include voting rights, including the right to vote as a series on particular matters, preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of any preferred shares could diminish the rights of holders of our common shares and, therefore, could reduce the value of our common shares. In addition, specific rights granted to future holders of preferred shares could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of our board of directors to issue preferred shares and the foregoing anti-takeover provisions may prevent or frustrate attempts by a third party to acquire control of our company, even if some of our shareholders consider such change of control to be beneficial.

Since we do not expect to pay any dividends for the foreseeable future, investors may be forced to sell their shares in order to realize a return on their investment.

We have not declared or paid any dividends on our common shares. We do not anticipate that we will pay any dividends to holders of our common shares for the foreseeable future. Any payment of cash dividends will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, legal requirements, earnings and other factors. Our ability to pay dividends is limited by the terms of our senior credit facilities and might be restricted by the terms of any indebtedness that we incur in the future. Consequently, you should not rely on dividends in order to receive a return on your investment.

Our reported financial results may be adversely affected by changes in accounting principles applicable to us.

Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. In addition, the SEC has announced a multi-year plan that could ultimately lead to the use of International Financial Reporting Standards by U.S. issuers in their SEC filings. Any such change could have a significant effect on our reported financial results.

Our ability to raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common shareholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common shares. If we issue additional equity securities, existing shareholders will experience dilution, and the new equity securities could have rights senior to those of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our shareholders bear the risk of our future securities offerings reducing the market price of our common shares and diluting their interest.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. ***Properties.***

The following table sets forth our restaurant locations as of December 30, 2012.

Location	Bravo Restaurants	Brio Restaurants	Total Number of Restaurants
Alabama		1	1
Arizona		3	3
Arkansas	1		1
Colorado		2	2
Connecticut		2	2
Delaware		1	1
Florida	2	9	11
Georgia		2	2
Illinois	2	1	3
Indiana	3		3
Iowa	1		1
Kansas	1		1
Kentucky	1	1	2
Louisiana	2		2
Maryland		3	3
Michigan	4	2	6
Missouri	2	2	4
Nebraska	1		1
Nevada		2	2
New Jersey		4	4
New Mexico	1		1
New York	1	1	2
North Carolina	2	3*	5*
Ohio	11	6	17
Oklahoma	1		1
Pennsylvania	7		7
Tennessee	1		1
Texas		7	7
Utah		1	1
Virginia	2	2	4
Wisconsin	2		2
Total	48	55	103

* Includes one location that we operate pursuant to a management agreement and do not own.

We own four properties, two in Ohio and one in each of Indiana and Pennsylvania, and operate restaurants on each of these sites. We lease the land and buildings for the other 98 Company owned restaurants used in our operations under various long-term operating lease agreements. The initial lease terms range from ten to 20 years. The leases include renewal options for two to 20 additional years. Our leases currently expire between 2013 and 2027. The majority of our leases provide for base (fixed) rent, plus additional rent based on gross sales (as defined in each lease agreement) in excess of a stipulated amount, multiplied by a stated percentage. We are also generally obligated to pay certain real estate taxes, insurances, common area maintenance charges and various other expenses related to the properties. Our main office, not included in the table above, is also leased and is located at 777 Goodale Boulevard, Suite 100, Columbus, Ohio 43212.

Item 3. ***Legal Proceedings.***

Occasionally we are a party to various legal actions arising in the ordinary course of our business including claims from guests or employees alleging illness, injury or other food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us, and as of March 5, 2013, we are not a party to any material pending legal proceedings and are not aware of any claims that could have a materially adverse effect on our financial position, results of operations, or cash flows, except as noted in Part IV, Item 15, note 12, of this report.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

Part II

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

Our common shares have been traded on the NASDAQ Global Market under the symbol "BBRG" since October 21, 2010. The following table set forth, for the periods indicated, the high and low price per share of our common shares, as reported by the NASDAQ Global Market:

	High	Low
Fiscal 2012 Quarter Ended		
March 25, 2012	$21.73	$15.89
June 24, 2012	$21.02	$15.99
September 23, 2012	$18.57	$14.99
December 30, 2012	$15.01	$12.42
Fiscal 2011 Quarter Ended		
March 27, 2011	$19.86	$14.80
June 26, 2011	$24.06	$15.55
September 25, 2011	$25.16	$14.04
December 25, 2011	$21.32	$14.78

Dividend Policy

We have not paid or declared any cash dividends on our common shares and do not anticipate paying any dividends on our common shares in the foreseeable future. We currently intend to retain any future earnings to fund the operation, development and expansion of our business. Any future determinations relating to our dividend policies will be made at the discretion of our board of directors and will depend on existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. In addition, our ability to declare and pay dividends is limited by covenants in our senior credit facilities.

Holders:

There were approximately 3,600 holders of record of our common shares at March 4, 2013.

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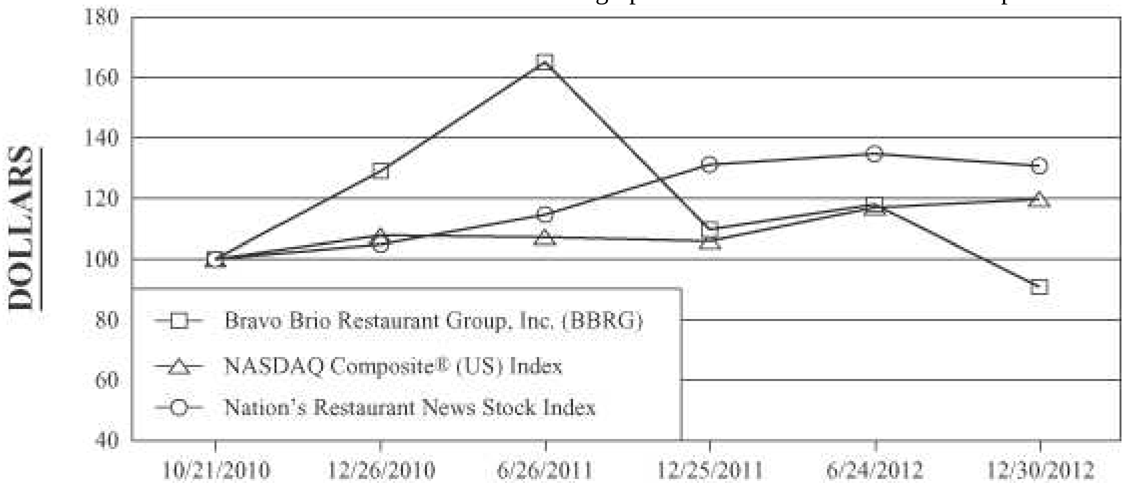
Price Performance Graph

The graph below compares the cumulative total shareholder return on $100.00 invested at the opening of the market on October 21, 2010, the date the Company's common shares were first listed on the NASDAQ Global Market, through and including the market close on December 30, 2012, with the cumulative total return of the same time period on the same amount invested in the NASDAQ Composite ® (US) Index and the *Nation's Restaurant News Stock Index* . The chart below the graph sets forth the actual numbers depicted on the graph.



	10/21/2010	12/26/2010	6/26/2011	12/25/2011	6/24/2012	12/30/2012
Bravo Brio Restaurant Group, Inc. (BBRG)	$ 100.00	$ 129.03	$ 165.03	$ 109.86	$ 118.07	$ 90.90
NASDAQ Composite ® (US) Index	100.00	107.89	107.37	105.99	117.07	119.82
Nation's Restaurant News Stock Index	100.00	104.84	114.78	131.27	134.78	130.83

Unregistered Sales of Equity Securities and Use of Proceeds from Sales of Registered Securities

We did not make any sales of unregistered Company securities during 2012.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to purchases of common shares made during the quarter ended December 30, 2012 by or on behalf of the Company or any "affiliated purchaser" as defined by Rule 10b5-1 of the Exchange Act.

Bravo Brio Restaurant Group Accounting Periods	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Increase in Dollars for Share Repurchase Authorization	Approximate Dollar Value of Shares the May Yet Be Purchased Under the Plans or Programs
9/24/12-10/21/12	—	$ —	—	$20,000,000	$ 20,000,000
10/22/12-11/18/12	147,566	13.00	120,579	—	$ 18,420,048
11/19/12-12/30/12	103,593	13.00	103,593	—	$ 17,073,126
Total for the Quarter	251,159	$13.00	224,172		

(1) Includes 26,987 shares withheld, on October 26, 2012, to cover tax withholding obligations at $12.54 per share relating to the vesting of restricted stock issued to employees pursuant to the Company's Stock Incentive Plan and available to be granted in future periods. It also includes 224,172 Company shares repurchased during the periods noted above, at an average price of $13.06, including commissions, as part of the Company's 10b-18 plan that was approved by the Board of Directors on October 17, 2012. Pursuant to the plan, the Board of Directors has authorized the Company to make up to $20 million in share repurchases prior to the plan's expiration on December 29, 2013.

Item 6. *Selected Financial Data.*

The following selected historical consolidated financial data should be read in conjunction with our consolidated financial statements and the accompanying notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report. The selected historical consolidated financial data as of December 30, 2012 and December 25, 2011 and for the three years in the period ended December 30, 2012 have been derived from audited consolidated financial statements, included elsewhere in this report. The selected historical consolidated financial data as of December 26, 2010, December 27, 2009 and December 28, 2008 and for the two years in the period ended December 27, 2009 have been derived from our audited consolidated financial statements not included elsewhere in this report.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
(Dollars in thousands except per share data)

	Fiscal Year(1)				
	2012	**2011**	**2010**	**2009**	**2008**
Statement of Operations Data					
Revenues	$409,065	$369,245	$343,025	$311,709	$300,783
Costs and Expenses					
Cost of sales	106,716	98,175	89,456	82,609	84,618
Labor	139,917	124,352	114,468	106,330	102,323
Operating	62,016	56,578	53,331	48,917	47,690
Occupancy	26,088	23,424	22,729	19,636	18,736
General and administrative expenses	23,684	21,234	37,539	17,280	15,271
Restaurant pre-opening costs	4,492	4,803	2,375	3,758	5,434
Asset impairment charges	4,060	2,229	—	6,436	8,506
Depreciation and amortization	18,939	16,983	16,708	16,088	14,651
Total costs and expenses	385,912	347,778	336,606	301,054	297,229
Income from operations	23,153	21,467	6,419	10,655	3,554
Loss on extinguishment of debt	—	—	1,300	—	—
Interest expense, net	1,353	1,711	6,121	7,119	9,892
Income (loss) before income tax expense	21,800	19,756	(1,002)	3,536	(6,338)
Income tax expense (benefit)(2)	5,652	(56,688)	228	135	55,061
Net income (loss)	16,148	76,444	(1,230)	3,401	(61,399)
Undeclared preferred dividends- net of adjustments(3)	—	—	(3,769)	(11,599)	(10,175)
Net income (loss) attributed to common shareholders	$ 16,148	$ 76,444	$ (4,999)	$ (8,198)	$ (71,574)
Per Share Data					
Net income (loss) attributed to common shareholders —					
Basic	$ 0.82	$ 3.96	$ (0.54)	$ (1.13)	$ (9.89)
Diluted	$ 0.78	$ 3.72	$ (0.54)	$ (1.13)	$ (9.89)
Weighted average shares outstanding —					
Basic	19,584	19,322	9,281	7,234	7,234
Diluted	20,612	20,550	9,281	7,234	7,234
Balance Sheet Data (at the end of the period)					
Cash and cash equivalents	13,717	10,093	2,460	249	682
Working capital (deficit)	(25,806)	(26,280)	(35,334)	(36,156)	(34,320)
Total assets	263,338	247,626	163,453	160,842	157,764
Total debt	23,086	32,571	41,000	118,031	125,950
Total stockholders' equity (deficiency in assets)	100,283	84,584	6,403	(72,690)	(76,091)

(1) We utilize a 52- or 53-week accounting period which ends on the last Sunday of the calendar year. With the exception of 2012 which is a 53-week year, each of the above fiscal years has 52 weeks.
(2) During the thirteen weeks ended June 26, 2011, the Company determined that it was more likely than not that its existing net deferred tax assets and tax credits would be realized after considering all positive and negative evidence. Accordingly, the Company recorded an income tax benefit of $62.8 million related to the reduction of the total federal and state valuation allowance against net deferred income tax assets in 2011.
(3) The undeclared preferred dividend total for fiscal 2010 of $10.8 million was offset by an add-back of $7.0 million in the fourth quarter of 2010 related to the exchange of the Company's Series A preferred stock. The exchange of the Series A preferred stock was completed prior to our initial public offering, using an estimated initial public offering price of $15.00 per share which, based on the total liquidation preference for the Series A preferred stock (including accrued and undeclared dividends thereon) of $105.2 million as of the date of the exchange, resulted in the issuance of 7,015,630 common shares. Because the final initial public offering price was $14.00 per share, the 7,015,630 common shares issued to the preferred shareholders represented only $98.2 million of value, $7.0 million less than the carrying value of the Series A preferred stock as of the date of the exchange. Because the fair value of consideration transferred was less than the carrying amount of the Series A preferred stock, the discount was added back to undeclared preferred dividends in arriving at net income (loss) attributed to common shareholders and is recorded as such on the Consolidated Statements of Operations for fiscal 2010.

Non-GAAP Measures

As adjusted net income and as adjusted earnings per share are supplemental measures of our performance that are not required or presented in accordance with generally accepted accounting principles, or GAAP. These non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered by themselves or as a substitute for measures of performance prepared in accordance with GAAP.

We calculate these non-GAAP measures by adjusting net income and net income per share for the impact of certain items that are reflected to show a year over year comparison excluding certain non-comparable items to facilitate the comparison of our past and present financial results. We believe these adjusted measures provide additional information to facilitate the comparison of our past and present financial results. We utilize results that both include and exclude the identified items in evaluating business performance. However, our inclusion of these adjusted measures should not be construed as an indication that our future results will not be affected by certain unusual or non-comparable items. Actual share counts are used for both fiscal 2012 and 2011.

The following is a reconciliation from net income and net income per share to the corresponding adjusted measures:

	Fiscal Year	
	2012	2011
Net income attributed to common shareholders	$16,148	$ 76,444
Impact from:		
Income Tax Expense(1)	(1,218)	(6,289)
Reduction in Valuation Allowance(2)	—	(57,175)
Secondary Offering Fees(3)	—	600
Asset Impairment Charges(4)	4,060	2,229
As adjusted net income	$18,990	$ 15,809

	Basic		Diluted	
	2012	2011	2012	2011
Net income per share- with adjusted share counts	$ 0.82	$ 3.96	$ 0.78	$ 3.72
Impact from:				
Income Tax Expense(1)	(0.06)	(0.33)	(0.06)	(0.31)
Reduction in Valuation Allowance(2)	—	(2.96)	—	(2.78)
Second Offering Fees(3)	—	0.03	—	0.03
Asset Impairment Charges(4)	0.21	0.12	0.20	0.11
As adjusted net income per share	$ 0.97	$ 0.82	$ 0.92	$ 0.77

1) Reflects the adjustment for income taxes, at our estimated effective tax rate of 30.0%, related to impairment charges in 2012. For 2011, the adjustment reflects a tax rate of 30.0%, which is our estimate of our long-term effective tax rate.
2) Reflects the reduction of the future portion of our deferred tax asset valuation allowance in the second quarter of 2011 as it was deemed more likely than not that we would utilize our future net deferred tax assets.
3) Reflects the costs, incurred by us, associated with the secondary offering of our common shares by certain of our existing shareholders, completed on April 1, 2011. We did not receive any proceeds from this offering.
4) Reflects non-cash asset impairment charges in fiscal 2012 for two restaurants and in fiscal 2011 for one restaurant.

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

The following discussion should be read in conjunction with "Selected Financial Data" and our audited consolidated financial statements and the accompanying notes thereto included elsewhere in this report. In addition to historical information, the following discussion also contains forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those factors set forth under Part I, Item 1A "Risk Factors" of this report.

Overview

We are an owner and operator of two distinct Italian restaurant brands, BRAVO! Cucina Italiana ("BRAVO!") and BRIO Tuscan Grille ("BRIO"), which includes our one Bon Vie restaurant for purposes of the following discussion. We have positioned our brands as multifaceted culinary destinations that deliver the ambiance, design elements and food quality reminiscent of fine dining restaurants at a value typically offered by casual dining establishments, a combination known as the upscale affordable dining segment. Each of our brands provides its guests with a fine dining experience and value by serving affordable cuisine prepared using fresh flavorful ingredients and authentic Italian cooking methods, combined with attentive service in an attractive, lively atmosphere. We strive to be the best Italian restaurant company in America and are focused on providing our guests an excellent dining experience through consistency of execution.

Our business is highly sensitive to changes in guest traffic. Increases and decreases in guest traffic can have a significant impact on our financial results. In recent years, we have faced and we continue to face uncertain economic conditions, which have resulted in changes to our guests' discretionary spending. To adjust to this decrease in guest spending, we have focused on controlling product margins and costs while maintaining our high standards for food quality and service and enhancing our guests' dining experience. We have worked with our distributors and suppliers to control commodity costs, become more efficient with the use of our employee base and found new ways to improve efficiencies across our company. We have increased our electronic advertising, social media communication and public relations activities in order to bring new guests to our restaurants and keep loyal guests coming back to grow our revenues. Additionally, we have focused resources on highlighting our menu items and promoting our non-entrée selections such as appetizers, desserts and beverages as part of our efforts to drive higher sales volumes at our restaurants.

Performance Indicators

We use the following key performance indicators in evaluating the performance of our restaurants:

- *Comparable Restaurants and Comparable Restaurant Sales* . We consider a restaurant to be comparable in the first full quarter following the eighteenth month of operations. Changes in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. Changes in comparable sales reflect changes in guest count trends as well as changes in average check.
- *Average Check.* Average check is calculated by dividing revenues by guest counts for a given time period. Average check reflects menu price influences as well as changes in menu mix. Management uses this indicator to analyze trends in guests preferences, effectiveness of menu changes and price increases and per guest expenditures.
- *Average Unit Volume.* Average unit volume consists of the average sales of our restaurants over a certain period of time. This measure is calculated by dividing total restaurant sales within a period by the relevant period. This indicator assists management in measuring changes in guest traffic, pricing and development of our brands.
- *Restaurant Level Operating Margins.* Restaurant level operating margin is Revenues minus Costs of Sales, Labor Costs, Operating Expenses and Occupancy Costs. Management uses this measure to evaluate the restaurant performance at our properties and determine the flow through of additional revenues to net income.

- *Operating Margin.* Operating margin represents income from operations before interest and taxes as a percentage of our revenues. By monitoring and controlling our operating margins, we can gauge the overall profitability of our company.

Key Financial Definitions

Revenues. Revenues primarily consist of food and beverage sales, net of any discounts, such as management meals, employee meals and coupons, associated with each sale. Revenues in a given period are directly influenced by the number of operating weeks in such period and comparable restaurant sales growth.

Cost of Sales. Cost of sales consist primarily of food and beverage related costs. The components of cost of sales are variable in nature, change with sales volume and are subject to increases or decreases based on fluctuations in commodity costs. Our cost of sales depends in part on the success of controls we have in place to manage our food and beverage costs.

Labor Costs. Labor costs include restaurant management salaries, front and back of house hourly wages, restaurant-level manager bonus expense, employee benefits and payroll taxes.

Operating Costs. Operating costs consist primarily of restaurant-related operating expenses, such as supplies, utilities, repairs and maintenance, credit card fees, marketing costs, training, recruiting, travel and general liability insurance costs.

Occupancy Costs. Occupancy costs include rent charges, both fixed and variable, as well as common area maintenance costs, property insurance and taxes, the amortization of tenant allowances and the adjustment to straight-line rent.

General and Administrative. General and administrative costs include costs associated with corporate and administrative functions that support our operations, including management and staff compensation and benefits, travel, legal and professional fees, corporate office rent, stock compensation costs and other related corporate costs.

Restaurant Pre-opening Costs. Restaurant pre-opening costs consist of costs incurred prior to opening a restaurant, including executive chef and manager salaries, relocation costs, recruiting expenses, employee payroll and related training costs for new employees, including rehearsal of service activities. Pre-opening costs also include an accrual for straight-line rent recorded during the period between date of possession and the restaurant opening date for our leased restaurant locations.

Impairment. We review long-lived assets, such as property and equipment and intangibles, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. Factors considered include, but are not limited to, significant underperformance relative to expected historical or projected future operating results, significant changes in the use of assets, changes in our overall business strategy and significant negative industry or economic trends. See "— Significant Accounting Policies — Impairment of Long-Lived Assets" for further detail.

Interest expense, net. Interest expense, net consists primarily of interest on our outstanding indebtedness and the amortization of deferred financing costs.

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Results of Operations

The following table sets forth, for the periods indicated, our consolidated statements of operations both on an actual basis expressed as percentages of revenues:

	Fiscal Year Ended					
	December 30, 2012	% of Revenue	December 25, 2011	% of Revenue	December 26, 2010	% of Revenue
			(Dollars in thousands)			
Revenues	$ 409,065	100%	$ 369,245	100%	$ 343,025	100%
Costs and Expenses						
Cost of sales	106,716	26.1%	98,175	26.6%	89,456	26.1%
Labor	139,917	34.2%	124,352	33.7%	114,468	33.4%
Operating	62,016	15.2%	56,578	15.3%	53,331	15.5%
Occupancy	26,088	6.4%	23,424	6.3%	22,729	6.6%
General and administrative expenses	23,684	5.8%	21,234	5.8%	37,539	10.9%
Restaurant pre-opening costs	4,492	1.1%	4,803	1.3%	2,375	0.7%
Asset impairment charges	4,060	1.0%	2,229	0.6%	—	0.0%
Depreciation and amortization	18,939	4.6%	16,983	4.6%	16,708	4.9%
Total costs and expenses	385,912	94.3%	347,778	94.2%	336,606	98.1%
Income from operations	23,153	5.7%	21,467	5.8%	6,419	1.9%
Loss on extinguishment of debt	—	0.0%	—	0.0%	1,300	0.4%
Interest expense, net	1,353	0.3%	1,711	0.5%	6,121	1.8%
Income (loss) before income taxes	21,800	5.3%	19,756	5.4%	(1,002)	(0.3)%
Income tax expense (benefit)	5,652	1.4%	(56,688)	(15.4)%	228	0.1%
Net income (loss)	$ 16,148	3.9%	$ 76,444	20.7%	$ (1,230)	(0.4)%

Certain percentage amounts may not sum due to rounding.

Fifty-Three Weeks Ended December 30, 2012 Compared to Fifty-Two Weeks Ended December 25, 2011

Revenues. Revenues increased $39.9 million, or 10.8%, to $409.1 million in fiscal 2012, compared to $369.2 million in fiscal 2011. This increase was driven by $31.2 million in additional revenues related primarily to an additional 444 operating weeks provided by new restaurants opened in 2012 and 2011 and $8.5 million in additional revenues related to the 53rd week in 2012. Adjusting for the 53rd week, comparable sales for 2012 were flat as compared to the prior year with a decrease in guest counts being offset by an increase in average check. Additionally, during the second quarter of 2012, we opened one BRIO that we do not own but which we operate pursuant to a management agreement under which we receive a management fee. Other than our receipt of this management fee, the operation of this restaurant has no impact on our financial statements.

For our BRAVO! brand, restaurant revenues increased $4.4 million, or 2.7%, to $165.9 million in fiscal 2012 as compared to $161.5 million in fiscal 2011. Operations from the 53rd week in 2012 accounted for $3.3 million in additional revenues. Adjusting for the 53rd week, comparable revenues for the BRAVO! brand restaurants increased 0.3%, or $0.6 million, to $155.0 million in fiscal 2012 due to an increase in average check offset by a decrease in guest counts. Revenues for BRAVO! brand restaurants not included in the comparable restaurant base increased $0.5 million to $7.6 million in fiscal 2012. At December 30, 2012, there were 46 BRAVO! restaurants included in the comparable restaurant base and two BRAVO! restaurants not included in the comparable restaurant base.

For our BRIO brand, restaurant revenues increased $35.3 million, or 17.1%, to $242.4 million in fiscal 2012 as compared to $207.1 million in fiscal 2011. Operations from the 53rd week in 2012 accounted for $5.2 million in additional revenues. Adjusting for the 53rd week, comparable revenues for the BRIO brand restaurants decreased 0.3%, or $0.6 million, to $194.1 million in fiscal 2012, mainly related to a decrease in comparable guest counts. Revenues for BRIO brand restaurants not included in the comparable restaurant base increased $30.7 million to $43.1 million in fiscal 2012 due to additional operating weeks for newer restaurants in the brand. At December 30, 2012, there were 39 BRIO restaurants included in the comparable restaurant base and 15 BRIO restaurants not included in the comparable restaurant base.

Cost of Sales. Cost of sales increased $8.5 million, or 8.7%, to $106.7 million in fiscal 2012, from $98.2 million in fiscal 2011. The increase in total dollars is due to the increase in revenues in 2012 for existing restaurants, the additional restaurants opened in 2012 and 2011 partially offset by a commodity cost decrease in 2012 over 2011. Food costs decreased 0.5% as a percentage of revenues but increased by $6.8 million in total dollars for 2012 as compared to 2011. Beverage costs remained flat as a percentage of revenues but increased in total dollars by $1.7 million in 2012 as compared to 2011. As a percentage of revenues, cost of sales decreased to 26.1% in 2012, from 26.6% in 2011. This was due to the decrease in commodity costs in 2012 as compared to 2011 primarily related to grocery and dairy products.

Labor Costs. Labor costs increased $15.5 million, or 12.5%, to $139.9 million in fiscal 2012, from $124.4 million in fiscal 2011. This increase was primarily a result of approximately $12.6 million of additional labor and benefits costs incurred as a result of new restaurants opened during 2012 and 2011. As a percentage of revenues, labor costs increased to 34.2% in 2012, from 33.7% in 2011, primarily as a result of increased staffing associated with new 2012 restaurants as well as increased wages in our back of the house operations.

Operating Costs. Operating costs increased $5.4 million, or 9.6%, to $62.0 million in 2012, from $56.6 million in 2011. This increase was driven by an additional 444 operating weeks due to restaurant openings in 2012 and 2011 and the impact of the 53rd week in 2012. As a percentage of revenues, operating costs decreased to 15.2% in 2012, from 15.3% in 2011. The decrease was primarily due to lower credit cards fees partially offset by higher repairs and maintenance costs as a percentage of revenues in 2012 as compared to 2011.

Occupancy Costs. Occupancy costs increased $2.7 million, or 11.4%, to $26.1 million in fiscal 2012, from $23.4 million in fiscal 2011. The increase in occupancy costs in total dollars was primarily due to the additional restaurants opened in 2012 and 2011. As a percentage of revenues, occupancy costs increased to 6.4% in 2012, from 6.3% in 2011.

General and Administrative. General and administrative costs increased $2.5 million, or 11.5%, to $23.7 million in fiscal 2012, from $21.2 million in fiscal 2011. The increase was primarily related to $1.0 million in additional wages and benefits due to an additional week in 2012 as well as a higher head count, $0.6 million in additional stock compensation costs, $0.6 million in additional costs related to our third party gift card administrator and $0.7 million in higher travel and training costs. These increases were partially offset by the lack of the comparable expense in 2012 to the $0.6 million in expense related to the Company’s secondary offering completed in April 2011. As a percentage of revenues, general and administrative expenses remained flat at 5.8% for both 2012 and 2011.

Restaurant Pre-opening Costs. Pre-opening costs decreased by $0.3 million to $4.5 million in 2012, from $4.8 million in 2011. The decrease in pre-opening costs was due to the impact of opening nine new restaurants and having two additional restaurants under construction at year end 2012 compared to eight new restaurants opened and five additional restaurants under construction at year end 2011. Pre-opening costs are incurred prior to the restaurant opening and through the first month of operations, however the costs that are included in any one period are related to the timing of the work being done and when costs are actually incurred. As a percentage of revenues, pre-opening costs decreased to 1.1% in 2012, from 1.3% in 2011.

Depreciation and Amortization. Depreciation and amortization costs increased approximately $1.9 million, or 11.5%, to $18.9 million in fiscal 2012, from $17.0 million in fiscal 2011. The increase in costs in 2012 was primarily due to depreciation related to the growth of our restaurant base in 2012 and 2011. As a percentage of revenues, depreciation and amortization expenses were flat at 4.6% in both 2012 and 2011.

Impairment. We review long-lived assets, such as property and equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to expected historical or projected future operating results, significant changes in the use of assets, changes in our overall business strategy and significant negative industry or economic trends. Based upon our analysis, we incurred a non-cash impairment charge in 2012 of $4.1 million related to two restaurants and an impairment charge in 2011 of $2.2 million related to one restaurant.

Interest Expense, Net. Interest expense, net decreased approximately $0.3 million, or 20.9%, to $1.4 million in 2012, from $1.7 million in 2011. The decrease was due to the pay down of debt incurred in conjunction with our initial public offering and the resulting lower average balances in fiscal 2012, slightly offset by an additional week of interest incurred in 2012.

Income Taxes. Income taxes increased $62.4 million to an income tax expense of $5.7 million in 2012, from an income tax benefit of $56.7 million in 2011. In 2012 the Company recorded income tax expense at its actual rate, partially offset by adjustments including those related to our federal and state income tax filings to arrive at the rate of 25.9% for the year. During 2011, it was deemed more likely than not that the Company would realize the deferred tax assets due to its historical profitability trends. As a result, the Company eliminated the valuation allowance previously provided against net deferred tax assets. The Company recorded a $62.8 million income tax benefit, for federal and state combined, reflecting the reduction of the full valuation allowance throughout 2011. For fiscal year 2011, this tax benefit was offset by income tax expense of $6.1 million.

Non-GAAP Net Income. As adjusted net income and as adjusted earnings per share are supplemental measures of our performance that are not required or presented in accordance with GAAP. We calculate non-GAAP measures by adjusting net income and net income per share for the impact of certain items that are reflected to show a year over year comparison excluding certain non-comparable items to facilitate the comparison of our past and present financial results. As adjusted net income for fiscal 2012 and 2011 was $19.0 million and $15.8 million, respectively. This increase was primarily the result of an additional 444 revenue weeks from openings in 2012 and 2011 as well as an extra 102 weeks related to the 53rd week in 2012. A full reconciliation from GAAP net income and GAAP earnings per share to as adjusted net income and as adjusted earnings per share, respectively, for fiscal 2012 and fiscal 2011 can be found at Part II, Item 6 of this report, “Selected Financial Data”.

Year Ended December 25, 2011 Compared to Year Ended December 26, 2010

Revenues. Revenues increased $26.2 million, or 7.6%, to $369.2 million in fiscal 2011, from $343.0 million in fiscal 2010. This increase was driven by $21.8 million in additional revenues related primarily to an additional 251 operating weeks provided by new restaurants opened in 2011 and 2010. Also contributing to this increase was a $4.2 million, or 1.3%, increase in revenues from our comparable restaurants. Higher comparable restaurant revenues were driven by an increase in guest counts of 1.5%, resulting in $4.7 million in additional revenues, partially offset by a $0.04 decrease in average check, resulting in a $0.5 million decrease in revenues.

For our BRAVO! brand, restaurant revenues increased $4.9 million, or 3.1%, to $161.5 million in fiscal 2011 as compared to $156.6 million in fiscal 2010. Comparable revenues for the BRAVO! brand restaurants increased 0.1%, or $0.2 million, to $147.0 million in fiscal 2011. Revenues for BRAVO! brand restaurants not included in the comparable restaurant base increased $4.7 million to $14.5 million in fiscal 2011 due to an additional 53 operating weeks for restaurants in the brand. At December 25, 2011, there were 44 BRAVO! restaurants included in the comparable restaurant base and three BRAVO! restaurants not included in the comparable restaurant base.

For our BRIO brand, restaurant revenues increased $21.1 million, or 11.3%, to $207.1 million in fiscal 2011 as compared to $186.0 million in fiscal 2010. Comparable revenues for the BRIO brand restaurants increased 2.3%, or $4.0 million, to $178.1 million in fiscal 2011, mainly related to an increase in guest counts. Revenues for BRIO brand restaurants not included in the comparable restaurant base increased $17.1 million to $29.0 million in fiscal 2011 due to an additional 198 operating weeks for restaurants in the brand. At December 25, 2011, there were 37 BRIO restaurants included in the comparable restaurant base and nine BRIO restaurants not included in the comparable restaurant base.

Cost of Sales. Cost of sales increased $8.7 million, or 9.7%, to $98.2 million in fiscal 2011, from $89.5 million in fiscal 2010. The increase in total dollars is due to the increase in revenues in 2011 for existing restaurants, the additional restaurants opened in 2011 and 2010 and a commodity cost increase in 2011 over 2010. Food costs increased 0.7% as a percentage of revenues and increased by $8.1 million in total dollars for 2011 as compared to 2010. Beverage costs decreased 0.2% as a percentage of revenues but increased in total dollars by $0.6 million in 2011 as compared to 2010. As a percentage of revenues, cost of sales increased to 26.6% in 2011, from 26.1% in 2010. This was due to the increase in commodity costs in 2011 as compared to 2010 primarily related to meat, produce and grocery products.

Labor Costs. Labor costs increased $9.9 million, or 8.6%, to $124.4 million in fiscal 2011, from $114.5 million in fiscal 2010. This increase was primarily a result of approximately $8.2 million of additional labor and benefits costs incurred from new restaurants opened during 2011 and 2010. As a percentage of revenues, labor costs increased to 33.7% in 2011, from 33.4% in 2010, primarily as a result of increased staffing associated with new 2011 restaurants.

Operating Costs. Operating costs increased $3.3 million, or 6.1%, to $56.6 million in 2011, from $53.3 million in 2010. This increase was driven by an additional 251 operating weeks due to restaurant openings in 2011 and 2010. As a percentage of revenues, operating costs decreased to 15.3% in 2011, compared to 15.5% in 2010. The decrease was primarily due to lower advertising and utility costs as a percentage of revenues in 2011 as compared to 2010.

Occupancy Costs. Occupancy costs increased $0.7 million, or 3.1%, to $23.4 million in fiscal 2011, from $22.7 million in fiscal 2010. The increase in occupancy costs in total dollars was primarily due to the additional restaurants opened in 2011 and 2010. As a percentage of revenues, occupancy costs decreased to 6.3% in 2011, from 6.6% in 2010. The decrease as a percentage of revenues was due to lower rent and the impact of positive sales leverage due to increased comparable revenues.

General and Administrative. General and administrative costs decreased $16.3 million, or 43.4%, to $21.2 million in fiscal 2011, from $37.5 million in fiscal 2010. As a percentage of revenues, general and administrative expenses decreased to 5.8% in 2011, from 10.9% in 2010. The decrease in both total dollars and percentage of revenues is primarily related to the one-time non-cash stock compensation charge of $17.9 million recorded in connection with our initial public offering and a non-recurring charge of $2.3 million in management fees incurred in connection with the management agreements with our private equity sponsors throughout 2010. The 2010 stock compensation and management fee charges were partially offset by 2011 charges of $1.7 million in stock compensation costs recorded in connection with the Stock Incentive Plan, $1.2 million in additional public company related professional fees and $0.6 million in expense related to the Company’s secondary offering completed in April 2011.

Restaurant Pre-opening Costs. Pre-opening costs increased by $2.4 million to $4.8 million in 2011, from $2.4 million in 2010. As a percentage of revenues, pre-opening costs increased to 1.3% in 2011, from 0.7% in 2010. The increase in pre-opening costs was due to the impact of opening eight new restaurants and having five additional restaurants under construction at year end 2011 compared to five new restaurants opened and two additional restaurants under construction at year end 2010.

Depreciation and Amortization. Depreciation and amortization costs increased $0.3 million, or 1.6%, to $17.0 million in fiscal 2011, from $16.7 million in fiscal 2010. As a percentage of revenues, depreciation and amortization expenses decreased to 4.6% in 2011 from 4.9% in 2010. The increase in total dollars was primarily due to depreciation for new restaurants opened in 2011 and 2010 as well as capital additions to our existing restaurants.

Impairment. We review long-lived assets, such as property and equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. Factors considered include, but are not limited to, significant underperformance relative to expected historical or projected future operating results, significant changes in the use of assets, changes in our overall business strategy and significant negative industry or economic trends. Based upon our analysis, we incurred a non-cash impairment charge in 2011 of $2.2 million related to one restaurant. The Company did not incur an impairment charge in 2010.

Loss on extinguishment of debt. In October 2010, in connection with our initial public offering, we repaid all our then outstanding indebtedness under our former senior credit facilities and entered into new senior credit facilities. In connection with this repayment of previously outstanding indebtedness, the Company wrote-off $1.3 million in unamortized loan origination fees. There were no such charges incurred in 2011.

Interest Expense, Net. Interest expense, net decreased $4.4 million, or 72.0%, to $1.7 million in 2011, from $6.1 million in 2010. The decrease was due to the pay down of debt in conjunction with our initial public offering and the resulting lower average balances in fiscal 2011 as well as lower average interest rates during 2011.

Income Taxes. Income taxes decreased $56.9 million to an income tax benefit of $56.7 million in 2011, from income tax expense of $0.2 million in 2010. During 2011, it was deemed more likely than not that the Company would realize the deferred tax assets due to its historical profitability trends. As a result, the Company eliminated the valuation allowance previously provided against net deferred tax assets. The Company recorded a $62.8 million income tax benefit, for federal and state combined, reflecting the reduction of the full valuation allowance throughout 2011. For fiscal year 2011, this tax benefit was offset by income tax expense of $6.1 million.

Liquidity

Our principal sources of cash have been net cash provided by operating activities and borrowings under our senior credit facilities. As of December 30, 2012, we had approximately $13.7 million in cash and cash equivalents and approximately $37.4 million of availability under our senior revolving credit facility (after giving effect to $2.6 million of outstanding letters of credit at December 30, 2012). Our need for capital resources is driven by our restaurant expansion plans, on-going maintenance of our restaurants and investment in our corporate and information technology infrastructures. Based on our current real estate development plans, we believe our combined expected cash flows from operations, available borrowings under our senior credit facilities and expected landlord lease incentives will be sufficient to finance our planned capital expenditures and other operating activities for the next twelve months.

Consistent with many other restaurant and retail chain store operations, we use operating lease arrangements for the majority of our restaurant locations. We believe that these operating lease arrangements provide appropriate leverage of our capital structure in a financially efficient manner. Currently, operating lease obligations are not reflected as indebtedness on our consolidated balance sheet. The use of operating lease arrangements will impact our capacity to borrow money under our senior credit facilities. However, restaurant real estate operating leases are expressly excluded from the restrictions under our senior credit facilities related to the incurrence of funded indebtedness.

Our liquidity may be adversely affected by a number of factors, including a decrease in guest traffic or average check per guest due to changes in economic conditions, as described in this report under Part I, Item 1A “Risk Factors.”

The following table presents a summary of our cash flows for the years ended December 30, 2012, December 25, 2011 and December 26, 2010.

	Year Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
		(in thousands)	
Net cash provided by operating activities	$ 52,300	$ 51,598	$ 37,682
Net cash used in investing activities	(36,387)	(35,542)	(18,691)
Net cash used in financing activities	(12,289)	(8,423)	(16,780)
Net increase in cash and cash equivalents	3,624	7,633	2,211
Cash and cash equivalents at beginning of year	10,093	2,460	249
Cash and cash equivalents at end of year	$ 13,717	$ 10,093	$ 2,460

Year Ended December 30, 2012 Compared to Year Ended December 25, 2011

Operating Activities. Net cash provided by operating activities was $52.3 million in 2012, compared to $51.6 million in 2011. Our business is almost exclusively a cash business. Almost all of our receipts come in the form of cash and credit cards and a large majority of our expenditures are paid within a 30 day period. The increase in net cash provided by operating activities in 2012 compared to 2011 was primarily due to an increase in cash receipts in excess of cash expenditures from the prior year. Cash receipts in 2012 and 2011 were $409.1 million and $370.6 million, respectively. Cash expenditures during 2012 and 2011 were $365.7 million and $332.9 million, respectively. The increase was partially offset by a decrease in cash received from lease incentives in 2012 compared to cash received from lease incentives in 2011 of $5.2 million.

Investing Activities. Net cash used in investing activities was $36.4 million in 2012, compared to $35.5 million in 2011. We used cash primarily to purchase property and equipment related to our restaurant expansion plans. The increase in spending was related to the timing of restaurant openings, as well as the number of restaurants that were opened during 2012 versus 2011. During 2012, we opened nine company owned restaurants and had two additional restaurants under construction at year end, while in 2011 we opened eight restaurants and five others were under construction at year end.

Financing Activities. Net cash used in financing activities was $12.3 million in 2012, compared to $8.4 million in 2011. In 2012 we repaid $9.5 million in debt and repurchased $2.9 million in treasury stock. These were slightly offset by a $0.1 million in net benefits from our equity plans. In 2011 we paid down debt by $8.4 million throughout the year.

Year Ended December 25, 2011 Compared to Year Ended December 26, 2010

Operating Activities. Net cash provided by operating activities was $51.6 million in 2011, compared to $37.7 million in 2010. The increase in net cash provided by operating activities in 2011 compared to 2010 was primarily due to an increase in cash receipts in excess of cash expenditures from the prior year. Cash receipts in 2011 and 2010 were $370.6 million and $343.8 million, respectively. Cash expenditures during 2011 and 2010 were $332.9 million and $310.6 million, respectively. The increase in net cash was also attributable to an increase in cash received from lease incentives of $5.5 million in 2011 above cash received from lease incentives in 2010 and an increase in the payable accounts of $3.4 million due to the timing of payments related to our holiday schedule at year end in 2011 as compared to 2010.

Investing Activities. Net cash used in investing activities was $35.5 million in 2011, compared to $18.7 million in 2010. We used cash primarily to purchase property and equipment related to our restaurant expansion plans. The increase in spending was related to the timing of restaurant openings, as well as the number of restaurants that were opened during 2011 versus 2010. During 2011, we opened eight restaurants and had five additional restaurants under construction at year end, while in 2010 we opened five restaurants and two others were under construction at year end.

Financing Activities. Net cash used in financing activities was $8.4 million in 2011, compared to $16.8 million in 2010. In 2011 we repaid $8.4 million in debt and had no additional borrowings while in 2010, we paid down $77.1 million in debt, primarily in connection with the repayment in full of our then-outstanding loans under our former senior credit facilities and our then-outstanding 13.25% senior subordinated secured notes through the proceeds of our initial public offering and borrowings under our senior credit facilities.

As of December 30, 2012, we had no financing transactions, arrangements or other relationships with any unconsolidated entities or related parties. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

Capital Resources

Future Capital Requirements. Our capital requirements are primarily dependent upon the pace of our real estate development program and resulting new restaurants. Our real estate development program is dependent upon many factors, including economic conditions, real estate markets, site locations and nature of lease agreements. Our capital expenditures also include costs for maintenance and capacity additions in our existing restaurants as well as information technology and other general corporate capital expenditures.

We anticipate that each new restaurant will, on average, require a total cash investment of $1.5 million to $2.5 million (net of estimated lease incentives). We expect to spend approximately $0.4 to $0.5 million per restaurant for cash pre-opening costs. The projected cash investment per restaurant is based on historical averages.

We currently estimate capital expenditures, net of lease incentives, for 2013 to be in the range of approximately $23.0 to $25.0 million, primarily related to the planned opening of seven to eight new restaurants in 2013, early 2014 openings and normal maintenance related capital expenditures related to our existing restaurants. In conjunction with these restaurant openings, we anticipate spending approximately $4.0 million to $4.5 million in pre-opening costs in 2013.

Current Resources. Our operations have not required significant working capital and, like many restaurant companies, we have been able to operate with negative working capital. Restaurant sales are primarily paid for in cash or by credit card, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, therefore reducing the need for incremental working capital to support growth. We had a net working capital deficit of $25.8 million at December 30, 2012, compared to a net working capital deficit of $26.3 million at December 26, 2011.

On October 26, 2010, we completed the initial public offering of our common shares. We issued 5,000,000 shares in the offering, and existing shareholders sold an additional 6,500,000 previously outstanding shares, including 1,500,000 shares sold to cover over-allotments. We received net proceeds from the offering of approximately $62.1 million (after the payment of offering expenses) that were used, together with borrowings under our senior credit facilities (as described below), to repay all of our then-outstanding loans under our former senior credit facilities and to repay all of our then-outstanding 13.25% senior subordinated secured notes, in each case including any accrued and unpaid interest.

In connection with our initial public offering, we entered into a credit agreement with a syndicate of financial institutions with respect to our senior credit facilities. Our senior credit facilities provide for (i) a $45.0 million term loan facility, maturing in 2015, and (ii) a revolving credit facility under which we may borrow up to $40.0 million (including a sublimit cap of up to $10.0 million for letters of credit and up to $10.0 million for swing-line loans), maturing in 2015. Under the credit agreement, we are also entitled to incur additional incremental term loans and/or increases in the revolving credit facility of up to $20.0 million if no event of default exists and certain other requirements are satisfied. Our revolving credit facility is (i) jointly and severally guaranteed by each of our existing or subsequently acquired or formed subsidiaries, (ii) secured by a first priority lien on substantially all of our subsidiaries' tangible and intangible personal property, (iii) secured by a first priority security interest on all owned real property and (iv) secured by a pledge of all of the capital stock of our subsidiaries. Our senior credit facilities also require us to meet financial tests, including a maximum consolidated total leverage ratio, a minimum consolidated fixed charge coverage ratio and a maximum consolidated capital expenditures limitation. At December 30, 2012, the Company was in compliance with its applicable financial covenants. Additionally, our senior credit facilities contain negative covenants limiting, among other things, additional indebtedness, transactions with affiliates, additional liens, sales of assets, dividends, investments and advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements and customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, defaults under other material debt, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the senior credit facilities to be in full force and effect, and a change of control of our business.

On October 9, 2012, the Company entered into an amendment to its credit agreement. The amendment eliminated dollar restrictions in paying dividends, distributions to shareholders, or repurchasing its common shares subject to the defined leverage ratio.

Borrowings under our senior credit facilities bear interest at our option of either (i) the Alternate Base Rate (as such term is defined in the credit agreement) plus the applicable margin of 1.75% to 2.25% or (ii) at a fixed rate for a period of one, two, three or six months equal to LIBOR plus the applicable margin of 2.75% to 3.25%. The applicable margins with respect to our senior credit facilities vary from time to time in accordance with agreed upon pricing grids based on our consolidated total leverage ratio. Swing-line loans under our senior credit facilities bear interest only at the Alternate Base Rate plus the applicable margin. Interest on loans based upon the Alternate Base Rate are payable on the last day of each calendar quarter in which such loan is outstanding. Interest on loans based on LIBOR are payable on the last day of the applicable LIBOR period and, in the case of any LIBOR period greater than three months in duration, interest shall be payable quarterly. In addition to paying any outstanding principal amount under our senior credit facilities, we are required to pay an unused facility fee to the lenders equal to 0.50% to 0.75% per annum on the aggregate amount of the unused revolving credit facility, excluding swing-line loans, commencing on October 26, 2010, payable quarterly in arrears. As of December 30, 2012, we had an outstanding principal balance of approximately $23.1 million on our term loan facility and no outstanding balance on our revolving credit facility.

Based on the Company's forecasts, management believes that the Company will be able to maintain compliance with its applicable financial covenants for the next twelve months. Management believes that cash flow from operations as well as available borrowings under its revolving credit facility will be sufficient to meet the Company's liquidity needs over the same period.

Off-Balance Sheet Arrangements

As part of our on-going business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or variable interest entities ("VIEs"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 30, 2012, we were not involved in any VIE transactions and did not otherwise have any off-balance sheet arrangements.

Significant Accounting Policies

Pre-opening Costs. Restaurant pre-opening costs consist primarily of wages and salaries, recruiting, meals, training, travel and lodging. Pre-opening costs include an accrual for straight-line rent recorded during the period between the date of possession and the restaurant opening date for the Company's leased restaurant locations. We expense all such costs as incurred. These costs will vary depending on the number of restaurants under development in a reporting period.

Property and Equipment. Property and equipment are recorded at cost. Equipment consists primarily of restaurant equipment, furniture, fixtures and small wares. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term, including option periods, which are reasonably assured of renewal, or the estimated useful life of the asset. The useful life of property and equipment involves judgment by management, which may produce materially different amounts of depreciation expense than if different assumptions were used. Property and equipment costs may fluctuate based on the number of new restaurants under development or opened, as well as any additional capital projects that are completed in a given period.

Leases. We currently lease all but four of our owned restaurant locations. We evaluate each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. All of our leases are classified as operating leases. We record the minimum lease payments for our operating leases on a straight-line basis over the lease term, including option periods which in the judgment of management are reasonably assured of renewal. The lease term commences on the date that the lessee obtains control of the property, which is normally when the property is ready for tenant improvements. Contingent rent expense is recognized as incurred and is usually based on either a percentage of restaurant sales or a percentage of restaurant sales in excess of a defined amount. Our lease costs will change based on the lease terms of our lease renewals as well as leases that we enter into with respect to our new restaurants.

Leasehold improvements financed by the landlord through tenant improvement allowances are capitalized as leasehold improvements with the tenant improvement allowances recorded as deferred lease incentives. Deferred lease incentives are amortized on a straight-line basis over the lesser of the life of the asset or the lease term, including option periods which in the judgment of management are reasonably assured of renewal (same term that is used for related leasehold improvements) and are recorded as a reduction of occupancy expense. As part of the initial lease terms, we negotiate with our landlords to secure these tenant improvement allowances. There is no guarantee that we will receive tenant improvement allowances for any of our future locations, which would result in additional occupancy expenses.

Impairment of Long-Lived Assets and Intangible Assets. We review long-lived assets, such as property, equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. The other factors and circumstances include changes in the economic environment, changes in the manner in which assets are used, unfavorable changes in legal factors or business climate, incurring excess costs in construction of the asset, overall restaurant operating performance and projections for future performance. These estimates result in a wide range of variability on a year to year basis due to the nature of the criteria. We evaluate future undiscounted cash flow projections in conjunction with qualitative factors and future operating plans. Our impairment assessment process requires the use of estimates and assumptions regarding future undiscounted cash flows and operating outcomes, which are based upon a significant degree of management's judgment.

Based on this analysis, if we believe that the carrying amount of the assets are not recoverable, an impairment charge is recognized based upon the amount by which the assets carrying value exceeds fair value. In performing our impairment testing, we forecast our future undiscounted cash flows by considering recent restaurant level performance, restaurant level operating plans, sales trends, and cost trends for cost of sales, labor and operating expenses. We believe that this combination of information gives us a fair benchmark to predict future undiscounted cash flows. We compare this cash flow forecast to the assets carrying value at the restaurant. If the predicted future undiscounted cash flow does not exceed the assets carrying value, we impair the assets related to that restaurant as indicated above. In 2012, as a result of the above mentioned review process, we incurred an asset impairment charge of approximately $4.1 million related to two restaurants.

Continued economic weakness within our respective markets may adversely impact consumer discretionary spending and may result in lower restaurant sales. Unfavorable fluctuations in our commodity costs, supply costs and labor rates, which may or may not be within our control, may also impact our operating margins. Any of these factors could as a result affect the estimates used in our impairment analysis and require additional impairment tests and charges to earnings. We continue to assess the performance of our restaurants and monitor the need for future impairment. There can be no assurance that future impairment tests will not result in additional charges to earnings.

Self-Insurance Reserves. We maintain various insurance policies, including workers' compensation and general liability. As outlined in these policies, we are responsible for losses up to certain limits. We record a liability for the estimated exposure for aggregate losses. This liability is based on estimates of the ultimate costs to be incurred to settle known claims and claims not reported as of the balance sheet date. The estimated liability is not discounted and is based on a number of assumptions, including actuarial assumptions, historical trends and economic conditions. If actual claims trends, including the severity or frequency of claims, differ from our estimates and historical trends, our financial results could be impacted.

Income Taxes. Income tax provisions consist of federal and state taxes currently due, plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not of realization in future periods. Future taxable income, adjustments in temporary differences, available carry forward periods and changes in tax laws could affect these estimates.

We recognize a tax position in the financial statements when it is more likely than not that the position will be sustained upon examination by tax authorities that have full knowledge of all relevant information.

Commitments and Contingencies

The following table summarizes our contractual obligations at December 30, 2012 on an actual basis.

	Payments Due by Year				
Contractual Obligations	**Total**	**2013**	**2014-2015**	**2016-2017**	**After 2017**
			(In thousands)		
Term loan facility (1)	$ 23,086	$ 2,704	$20,382	$ —	$ —
Interest	2,535	1,401	1,134	—	—
Operating leases	304,229	24,630	50,215	51,037	178,347
Construction purchase obligations	1,725	1,725	—	—	—
Total contractual cash obligations	$331,575	$30,460	$71,731	$ 51,037	$178,347

(1) Our $45.0 million term loan facility will be paid off over the next three years with the outstanding balance due in 2015.

Inflation

Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant guests. The impact of inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our restaurant operations.

Many of our restaurant staff members are paid hourly rates in accordance with the federal and state minimum wage rates. Since 2008, numerous state and local governments increased the minimum wage within their jurisdictions, with further state minimum wage increases going into effect each year. Certain operating costs, such as taxes, insurance and other outside services continue to increase with the general level of inflation or higher and we may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices for our menu items, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our menu pricing flexibility. In addition, macroeconomic conditions could make additional menu price increases imprudent. There can be no assurance that all future cost increases can be offset by increased menu prices or that increased menu prices will be fully absorbed by our restaurant guests without any resulting changes in their visit frequencies or purchasing patterns. Substantially all of the leases for our restaurants provide for contingent rent obligations based on a percentage of revenues. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

Segment Reporting

We operate upscale affordable dining restaurants under two brands that have similar economic characteristics, nature of products and services, class of customer and distribution methods. Therefore, we report our results of operations as one reporting segment.

Recently Adopted Accounting Pronouncements

We reviewed all newly issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest Rate Risk

We are subject to interest rate risk in connection with our long term indebtedness. Our principal interest rate exposure relates to the loans outstanding under our senior credit facilities, which are payable at variable rates. We currently have approximately $23.1 million of borrowings under our term loan facility. Each eighth point change in interest rates on the variable rate portion of indebtedness under our senior credit facilities would result in annual changes of approximately $29,000 in our interest expense.

Commodity Price Risk

We are exposed to market price fluctuation in beef, seafood, produce and other food product prices. Given the historical volatility of beef, seafood, produce and other food product prices, these fluctuations can materially impact our food and beverage costs. While we have taken steps to qualify multiple suppliers and enter into agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather and other market conditions outside of our control. We are unable to contract for some of our commodities such as certain produce items for periods longer than one week. Consequently, such commodities can be subject to unforeseen supply and cost fluctuations. Dairy costs can also fluctuate due to government regulation. Because we typically set our menu prices in advance of our food product prices, we cannot immediately take into account changing costs of food items. To the extent that we are unable to pass the increased costs on to our guests through price increases, our results of operations would be adversely affected. We do not use financial instruments to hedge our risk to market price fluctuations in beef, seafood, produce and other food product prices at this time.

Item 8. *Financial Statements and Supplementary Data.*

The consolidated financial statements required to be filed hereunder are set forth in Part IV, Item 15 of this report.

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

None.

Item 9A. *Controls and Procedures.*

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered in this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures, including the accumulation and communication of disclosure to our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding disclosure, are effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the relevant SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of December 30, 2012 based on the criteria in “Internal Control—Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 30, 2012.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an attestation report covering our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Bravo Brio Restaurant Group, Inc.

We have audited the internal control over financial reporting of Bravo Brio Restaurant Group, Inc. and subsidiaries (the “Company”) as of December 30, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control Over Financial Reporting* . Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 30, 2012 of the Company and our report dated March, 5, 2013 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Columbus Ohio
March 5, 2013

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during our most recent fiscal quarter ended December 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

On February 7, 2013, our Board of Directors approved a new form of indemnification agreement to be entered into with each of our directors and certain of our officers. The Board of Directors authorized the Company to enter into indemnification agreements with each of its current directors. Accordingly, on March 4, 2013, the Company entered into an indemnification agreement with each of its directors and each of its named executive officers. The form of indemnification agreement is included as Exhibit 10.12 to this report.

Part III

Item 10. ***Directors, Executive Officers and Corporate Governance.***

Except as set forth below, the information required by this Item 10 is incorporated herein by reference from the Company's definitive proxy statement for use in connection with the solicitation of proxies for the Company's 2013 Annual Meeting of Shareholders (the "Proxy Statement") to be filed within 120 days after the end of the Company's fiscal year ended December 30, 2012.

The Company has adopted a written code of business conduct and ethics, to be known as our code of conduct, which applies to our chief executive officer, our chief financial and accounting officer and all persons providing similar functions. Our code of conduct is available on our Internet website, www.bbrg.com. Our code of conduct may also be obtained by contacting investor relations at (614) 326-7944. Any amendments to our code of conduct or waivers from the provisions of the code for our chief executive officer, our chief financial and accounting officer will be disclosed on our Internet website promptly following the date of such amendment or waiver and the Company will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a Current Report on Form 8-K filed with the SEC.

Item 11. ***Executive Compensation.***

The information required by this Item 11 is incorporated herein by reference from the Proxy Statement.

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

Except as set forth below, the information required by this Item 12 is incorporated herein by reference from the Proxy Statement.

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Equity Compensation Plan Information

Set forth in the table below is a list of all of our equity compensation plans and the number of securities to be issued on exercise of equity rights, average exercise price, and number of securities that would remain available under each plan if outstanding equity rights were exercised as of December 30, 2012.

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 future issuance under equity compensation plans (excluding securities reflected in column (a)). (c)
Equity compensation plans approved by security holders:			
Bravo Development, Inc. Option Plan	992,192	1.45	—
Bravo Brio Restaurant Group, Inc. Stock Incentive Plan	—	—	1,406,271
Equity Compensation plans not approved by security holders:			
None			
Total	992,192	1.45	1,406,271

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

The information required by this Item 13 is incorporated herein by reference from the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this Item 14 is incorporated herein by reference from the Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

1. Financial Statements: See Index to Consolidated Financial Statements appearing on page 52 of this report.
2. Financial statement schedules: None.
3. Exhibits: See Exhibit Index appearing on page 70 of this report.

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Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Bravo Brio Restaurant Group, Inc.

We have audited the accompanying consolidated balance sheets of Bravo Brio Restaurant Group, Inc. and subsidiaries (the "Company") as of December 30, 2012 and December 25, 2011, and the related consolidated statements of operations, stockholders' equity (deficiency in assets), and cash flows for each of the three years in the period ended December 30, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Bravo Brio Restaurant Group, Inc. and subsidiaries at December 30, 2012 and December 25, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 30, 2012, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
March 5, 2013

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BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 30, 2012 AND DECEMBER 25, 2011
(Dollars in thousands)

	December 30, 2012	December 25, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 13,717	$ 10,093
Accounts receivable	7,728	6,403
Tenant improvement allowance receivable	1,638	1,219
Inventories	3,023	2,767
Deferred income taxes	2,304	2,328
Prepaid expenses and other current assets	2,547	2,367
Total current assets	30,957	25,177
Property and equipment, net	175,969	163,208
Deferred income taxes, net	52,068	55,811
Other assets, net	4,344	3,430
Total assets	$ 263,338	$ 247,626
Liabilities and Stockholders' Equity		
Current liabilities		
Trade and construction payables	$ 10,695	$ 13,058
Accrued expenses	24,724	20,183
Current portion of long-term debt	2,704	1,714
Deferred lease incentives	6,430	5,639
Deferred gift card revenue	12,210	10,863
Total current liabilities	56,763	51,457
Deferred lease incentives	64,761	62,565
Long-term debt	20,382	30,857
Other long-term liabilities	21,149	18,163
Commitments and contingencies (Note 12)		
Stockholders' equity		
Common shares, no par value, per share — authorized, 100,000,000 shares: issued, 19,820,428 shares at December 30, 2012; and issued and outstanding, 19,476,559 shares at December 25, 2011;	195,512	193,034
Preferred shares, no par value, per share — authorized, 5,000,000 shares; issued and outstanding, 0 shares at December 30, 2012 and December 25, 2011	—	—
Treasury shares, 224,172 shares at December 30, 2012: and 0 shares at December 25, 2011;	(2,927)	—
Retained deficit	(92,302)	(108,450)
Total stockholders' equity	100,283	84,584
Total liabilities and stockholders' equity	$ 263,338	$ 247,626

See notes to consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED DECEMBER 30, 2012, DECEMBER 25, 2011 AND DECEMBER 26, 2010
(Dollars and shares in thousands, except per share data)

	Fiscal Year Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Revenues	$ 409,065	$ 369,245	$ 343,025
Costs and expenses			
Cost of sales	106,716	98,175	89,456
Labor	139,917	124,352	114,468
Operating	62,016	56,578	53,331
Occupancy	26,088	23,424	22,729
General and administrative expenses	23,684	21,234	37,539
Restaurant pre-opening costs	4,492	4,803	2,375
Asset impairment charges	4,060	2,229	—
Depreciation and amortization	18,939	16,983	16,708
Total costs and expenses	385,912	347,778	336,606
Income from operations	23,153	21,467	6,419
Loss on extinguishment of debt	—	—	1,300
Interest expense, net	1,353	1,711	6,121
Income (loss) before income taxes	21,800	19,756	(1,002)
Income tax expense (benefit)	5,652	(56,688)	228
Net income (loss)	$ 16,148	$ 76,444	$ (1,230)
Undeclared preferred dividends, net of adjustment — (Note 1)	—	—	(3,769)
Net income (loss) attributed to common shareholders	$ 16,148	$ 76,444	$ (4,999)
Net income (loss) per share — basic	$ 0.82	$ 3.96	$ (0.54)
Net income (loss) per share — diluted	$ 0.78	$ 3.72	$ (0.54)
Weighted average shares outstanding — basic	19,584	19,322	9,281
Weighted average shares outstanding — diluted	20,612	20,550	9,281

See notes to consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY IN ASSETS) FOR THE FISCAL YEARS ENDED DECEMBER 30, 2012, DECEMBER 25, 2011 AND DECEMBER 26, 2010 (Dollars in thousands)

	Common Shares		Preferred Shares		Additional		Treasury Shares		Stockholders' Equity (Deficiency in
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Deficit	Shares	Amount	Assets)
Balance — December 27, 2009	7,234,370	$ 1	59,500	$ 1	$ 110,972	$(183,664)	—	$ —	$ (72,690)
Net loss	—	—	—	—	—	(1,230)	—	—	(1,230)
Share-based compensation costs	—	18,177	—	—	—	—	—	—	18,177
Exchange of common and preferred stock, to common shares, no par value per share	7,015,630	110,973	(59,500)	(1)	(110,972)	—	—	—	—
Issuance of common stock for initial public offering, net of fees and issuance costs	5,000,000	62,138	—	—	—	—	—	—	62,138
Issuance of restricted shares	500	8	—	—	—	—	—	—	8
Balance — December 26, 2010	19,250,500	$191,297	—	$ —	$ —	$(184,894)	—	$ —	$ 6,403
Net income	—	—	—	—	—	76,444	—	—	76,444
Share-based compensation costs	—	1,731	—	—	—	—	—	—	1,731
Proceeds from the exercise of stock options	153,378	213	—	—	—	—	—	—	213
Issuance of restricted shares	107,519	—	—	—	—	—	—	—	—
Shares withheld from restricted stock vesting for minimum tax withholdings	(34,838)	(641)	—	—	—	—	—	—	(641)
Excess tax benefit from share based payments	—	434	—	—	—	—	—	—	434
Balance — December 25, 2011	19,476,559	$193,034	—	$ —	$ —	$(108,450)	—	$ —	$ 84,584
Net income	—	—	—	—	—	16,148	—	—	16,148
Share-based compensation costs	—	2,355	—	—	—	—	—	—	2,355
Purchase of treasury shares	—	—	—	—	—	—	(224,172)	(2,927)	(2,927)
Proceeds from the exercise of stock options	268,633	383	—	—	—	—	—	—	383
Issuance of restricted shares	102,719	—	—	—	—	—	—	—	—
Shares withheld from restricted stock vesting for minimum tax withholdings	(27,483)	(347)	—	—	—	—	—	—	(347)
Excess tax benefit from share based payments	—	87	—	—	—	—	—	—	87
Balance — December 30, 2012	19,820,428	$195,512	—	$ —	$ —	$ (92,302)	(224,172)	$ (2,927)	$ 100,283

See notes to consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED DECEMBER 30, 2012, DECEMBER 25, 2011 AND DECEMBER 26, 2010
(Dollars in thousands)

	Fiscal Year Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Cash flow provided by operating activities:			
Net income (loss)	$ 16,148	$ 76,444	$ (1,230)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization (excluding deferred lease incentives)	19,291	17,350	16,768
Loss on disposals of property and equipment	426	562	235
Write-off of unamortized loan origination fees	—	—	1,300
Impairment of assets	4,060	2,229	—
Amortization of deferred lease incentives	(6,116)	(5,700)	(4,734)
Stock compensation costs	2,355	1,731	18,185
Interest incurred but not yet paid	—	—	114
Deferred income taxes	3,767	(58,139)	—
Changes in certain assets and liabilities:			
Accounts and tenant improvement receivables	(1,744)	(2,236)	2,583
Inventories	(256)	(352)	(212)
Prepaid expenses and other current assets	(180)	(138)	(180)
Trade and construction payables	(2,109)	3,378	(3,095)
Deferred lease incentives	9,103	14,331	6,572
Deferred gift card revenue	1,347	1,138	755
Other accrued liabilities	4,541	(967)	(508)
Other — net	1,667	1,967	1,129
Net cash provided by operating activities	52,300	51,598	37,682
Cash flow used in investing activities:			
Purchase of property and equipment	(36,387)	(35,542)	(18,695)
Proceeds from sale of property and equipment	—	—	4
Net cash used in investing activities	(36,387)	(35,542)	(18,691)
Cash flow used in financing activities:			
Proceeds from long-term debt	—	—	80,550
Payments on long-term debt	(9,485)	(8,429)	(152,811)
Payment of paid-in-kind interest	—	—	(4,884)
Proceeds from common share issuance, net of underwriter fees	—	—	65,100
Cost incurred in connection with the common share issuance	—	—	(2,962)
Proceeds from the exercise of stock options	383	213	—
Excess tax benefit from share based payments	87	434	—
Shares withheld from restricted stock vesting for minimum tax withholdings	(347)	(641)	—
Repurchase of treasury shares	(2,927)	—	—
Loan origination fees related to new credit facility	—	—	(1,773)
Net cash used in financing activities	(12,289)	(8,423)	(16,780)
Net increase in cash equivalents:	3,624	7,633	2,211
Cash and equivalents — beginning of year	10,093	2,460	249
Cash and equivalents — end of year	$ 13,717	$ 10,093	$ 2,460
Supplemental disclosures of cash flow information:			
Interest paid — net of $0, $0 and $70 capitalized in 2012, 2011 and 2010, respectively	$ 1,024	$ 1,398	$ 6,362
Income taxes paid, net	$ 1,615	$ 1,240	$ 165
Property additions financed by trade and construction payables	$ 1,725	$ 1,979	$ 1,742

See notes to consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business — As of December 30, 2012, Bravo Brio Restaurant Group, Inc. (the "Company") operated 103 restaurants under the trade names "Bravo! Cucina Italiana ®," "Brio Tuscan Grille ™," and "Bon Vie ®." Of the 103 restaurants the Company operates, there are 48 Bravo! Cucina Italiana ® restaurants, 54 Brio Tuscan Grille ™ restaurants, and one Bon Vie ® restaurant in operation in 31 states throughout the United States of America. The Company owns all of its restaurants with the exception of one BRIO restaurant, which it operates under a management agreement and for which operation it receives a management fee.

Fiscal Year End — The Company utilizes a 52- or 53-week accounting period which ends on the last Sunday of the calendar year. The fiscal year ended December 30, 2012 is a 53 week year while the fiscal years ended December 25, 2011 and December 26, 2010 each have 52 weeks.

Initial Public Offering — On October 26, 2010, the Company completed the initial public offering ("IPO") of its common shares. The Company issued 5,000,000 shares in the offering, and existing shareholders sold an additional 6,500,000 previously outstanding shares, including 1,500,000 shares sold to cover over-allotments. The Company received net proceeds from the offering of approximately $62.1 million that have been used, together with borrowings under the Company's senior credit facilities, to repay all of the Company's previously outstanding loans under its prior senior credit facilities and to repay all its previously outstanding notes under its prior senior subordinated note agreement, in each case including any accrued and unpaid interest.

Pursuant to an exchange agreement among the Company and each of its shareholders, the Company completed an exchange (the "Exchange") of each share of the Company's common stock outstanding prior to the completion of the IPO on October 26, 2010 for approximately 6.9 new common shares of the Company. All issued and outstanding common shares and per share amounts, as well as options to purchase shares under the Bravo Development Inc. Option Plan (the "2006 Plan"), contained in the financial statements have been retroactively adjusted to reflect the Exchange. After completion of the Exchange, the Company had 7,234,370 common shares and 1,767,754 options to purchase common shares outstanding. In connection with the IPO, the Company increased its authorized common shares from 3,000,000 shares of common stock, $0.001 par value per share, up to 100,000,000 common shares, no par value per share.

The undeclared preferred dividend total for fiscal 2010 of $10.8 million was offset by an add back of $7.0 million in the fourth quarter of 2010 related to the exchange of the Company's Series A preferred stock. The exchange of the Series A preferred stock was completed prior to the Company's IPO, using an estimated initial public offering price of $15.00 per share which, based on the total liquidation preference for the Series A preferred stock (including accrued and undeclared dividends thereon) of $105.2 million as of the date of the exchange, resulted in the issuance of 7,015,630 common shares. Because the final initial public offering price was $14.00 per share, the 7,015,630 common shares issued to the preferred shareholders represented only $98.2 million of value, $7.0 million less than the carrying value of the Series A preferred stock as of the date of the exchange. Because the fair value of consideration transferred was less than the carrying amount of the Series A preferred stock, the discount was added back to undeclared preferred dividends in arriving at net income (loss) attributed to common shareholders and is recorded as such on the Consolidated Statements of Operations for fiscal 2010. In connection with the IPO, the Company has authorized the issuance of up to 5,000,000 preferred shares, no par value per share.

At October 26, 2010, the closing date of the IPO, the Company had a total of 19,250,000 common shares issued and outstanding and no preferred shares issued and outstanding.

Upon consummation of the Company's IPO and after giving effect to a modification by the board of directors in its discretion to give effect to the Exchange, 80.0% of the outstanding options to purchase common shares at a weighted average exercise price of $1.44 per share under the 2006 Plan became fully vested and exercisable. The remaining non-exercisable options were forfeited. Due to this modification, all of the options were revalued at the date of the modification, October 6, 2010, and therefore the Company recorded a one-time non-cash charge of $17.9 million in stock compensation expense.

On October 6, 2010, the board of directors approved and on October 18, 2010 the Company's shareholders approved, the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan became effective upon the completion of the IPO on October 26, 2010. Pursuant to this plan, 1.9 million common shares of the Company have been reserved for award under the Stock Incentive Plan. In connection with the adoption of the Stock Incentive Plan, the board of directors terminated the 2006 Plan effective October 26, 2010, and no further awards will be granted under the 2006 Plan. However, the termination of the 2006 Plan will not affect awards outstanding under the 2006 Plan at the time of its termination and the terms of the 2006 Plan will continue to govern outstanding awards granted under the 2006 Plan. As of December 30, 2012, the Company has granted 613,800 shares of restricted stock to its employees under the Stock Incentive Plan. These shares will vest, subject to certain exceptions, over a four year period.

Accounting Estimates — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances at the time. Actual amounts may differ from those estimates.

Cash and Cash Equivalents — The Company considers all cash and short-term investments with original maturities of three months or less as cash equivalents. All cash is principally deposited in one bank.

Receivables — Receivables, which the Company classifies within current assets, consist primarily of amounts due from landlords for tenant incentives and credit card processors. Management believes outstanding amounts to be collectible.

Inventories — Inventories are valued at the lower of cost or market, using the first-in, first-out method and consist principally of food and beverage items.

Pre-opening Costs — Restaurant pre-opening costs consist primarily of wages and salaries, recruiting, meals, training, travel and lodging. Pre-opening costs include an accrual for straight-line rent recorded during the period between the date of possession and the restaurant opening date for the Company's leased restaurant locations. The Company expenses all such costs as incurred. These costs will vary depending on the number of restaurants under development in a reporting period.

Property and Equipment — Property and equipment are recorded at cost, less accumulated depreciation. Equipment consists primarily of restaurant equipment, furniture, fixtures and small wares. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term, including option periods which are reasonably assured of renewal, or the estimated useful life of the asset. The useful life of property and equipment involves judgment by management, which may produce materially different amounts of depreciation expense than if different assumptions were used. Property and equipment costs may fluctuate based on the number of new restaurants under development or opened, as well as any additional capital projects that are completed in a given period. The Company incurred depreciation expense of $18.9 million, $16.9 million and $16.1 million for the years ended December 30, 2012, December 25, 2011 and December 26, 2010, respectively.

Leases — The Company currently leases all but four of its owned restaurant locations. The Company evaluates each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. All of the Company's leases are classified as operating leases. The Company records the minimum lease payments for its operating leases on a straight-line basis over the lease term, including option periods which in the judgment of management are reasonably assured of renewal. The lease term commences on the date that the lessee obtains control of the property, which is normally when the property is ready for tenant improvements. Contingent rent expense is recognized as incurred and is usually based on either a percentage of restaurant sales or a percentage of restaurant sales in excess of a defined amount. The Company's lease costs will change based on the lease terms of its lease renewals as well as leases that the Company enters into with respect to its new restaurants.

Leasehold improvements financed by the landlord through tenant improvement allowances are capitalized as leasehold improvements with the tenant improvement allowances recorded as deferred lease incentives. Deferred lease incentives are amortized on a straight-line basis over the lesser of the life of the asset or the lease term, including option periods which in the judgment of management are reasonably assured of renewal (same lease term that is used for related leasehold improvements) and are recorded as a reduction of occupancy expense. As part of the initial lease terms, the Company negotiates with its landlords to secure these tenant improvement allowances.

Other Assets — Other assets include liquor licenses, trademarks, and loan costs and are stated at cost, less amortization, if any. The trademarks are used in the advertising and marketing of the restaurants and are widely recognized and accepted by consumers.

Impairment of Long-Lived Assets —The Company reviews long-lived assets, such as property and equipment and intangibles subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. The Company evaluates future cash flow projections in conjunction with qualitative factors and future operating plans. Based on this analysis, if the Company believes that the carrying amount of the assets is not recoverable, an impairment charge is recognized based upon the amount by which the assets' carrying value exceeds fair value, which we estimate as the undiscounted cash flows of the location.

As a result of the above mentioned review process, the Company recognized an asset impairment charge of approximately $4.1 million related to two restaurants in fiscal 2012 and an impairment charge of $2.2 million related to one restaurant in fiscal 2011. However the Company did not record an impairment charge in fiscal 2010.

The Company's impairment assessment process requires the use of estimates and assumptions regarding future cash flows and operating outcomes, which are based upon a significant degree of management's judgment. The Company continues to assess the performance of restaurants and monitors the need for future impairment. Changes in the economic environment, real estate markets, capital spending, and overall operating performance could impact these estimates and result in future impairment charges. There can be no assurance that future impairment tests will not result in additional charges to earnings.

Estimated Fair Value of Financial Instruments — The carrying amounts of cash and cash equivalents, receivables, trade and construction payables, and accrued liabilities at December 30, 2012 and December 25, 2011, approximate their fair value due to the short-term maturities of these financial instruments. The carrying amount of the long-term debt under the revolving credit facility and variable rate notes and loan agreements approximate the fair values at December 30, 2012 and December 25, 2011 due to short term maturities of the underlying LIBOR agreements. This represents a Level 2 fair value measurement.

Revenue Recognition — Revenue from restaurant operations is recognized upon payment by the customer at the time of sale. Revenues are reflected net of sales tax and certain discounts and allowances.

The Company records a liability upon the sale of gift cards and recognizes revenue upon redemption by the customer. Revenue is recognized on unredeemed gift cards (breakage) based upon historical redemption patterns when the Company determines the likelihood of redemption of the gift card by the customer is remote and there is no legal obligation to remit the value of unredeemed gift cards to the relevant jurisdiction. Breakage is reported within revenues in the consolidated statements of operations. For the fiscal years ended 2012, 2011 and 2010, the Company recorded gift card breakage of an immaterial amount.

In 2012, the Company launched its loyalty program for each brand and with the program, offers discounted products to its loyal guests. Rewards that are not redeemed expire after 14 to 60 days. At December 30, 2012 the loyalty programs did not have a multiple deliverable arrangement and therefore the Company recorded discounts as incurred.

Advertising — The Company expenses the cost of advertising (including production costs) the first time the advertising takes place. Advertising expense was $4.1 million, $3.1 million, and $3.1 million for fiscal years 2012, 2011 and 2010, respectively.

Self-Insurance Reserves — The Company maintains various insurance policies, including workers' compensation and general liability. As outlined in these policies, the Company is responsible for losses up to certain limits. The Company records a liability for the estimated exposure for aggregate losses. This liability is based on estimates of the ultimate costs to be incurred to settle known claims and claims not reported as of the balance sheet date. The estimated liability is not discounted and is based on a number of assumptions, including actuarial assumptions, historical trends and economic conditions. If actual claims trends, including the severity or frequency of claims, differ from the Company's estimates and historical trends, the Company's financial results could be impacted.

Income Taxes — Income tax provisions are comprised of federal and state taxes currently due, plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Recognition of deferred tax assets is limited to amounts considered by management to be more likely than not of realization in future periods. Future taxable income, adjustments in temporary differences, available carry forward periods and changes in tax laws could affect these estimates.

The Company recognizes a tax position in the financial statements when it is more likely than not that the position will be sustained upon examination by tax authorities that have full knowledge of all relevant information.

In 2011, the Company reduced the valuation allowance, for federal and state taxes, previously provided against its net deferred tax assets by $62.8 million as the Company deemed it more likely than not the existing net deferred tax assets and tax credits would be realized (See Note 11).

Stock-Based Compensation — The Company maintains equity compensation incentive plans that provide for the grant of nonqualified stock options and restricted stock. Options are granted with exercise prices equal to the fair value of the Company's common shares at the date of grant. Fair value of the outstanding shares of restricted stock is based on the average of the high and low price of the Company's shares on the date immediately preceding the date of grant. The cost of employee service is recognized as a compensation expense over the period that an employee provides service in exchange for the award, also known as the vesting period. The options which were modified in October 2010 became exercisable in October 2010 upon completion of the IPO and therefore all of the compensation cost related to these options was recorded in the fourth quarter of 2010. Additionally, following the completion of the IPO, the Company granted shares of restricted stock to its employees. The related compensation cost is being recorded over the four year vesting period of the restricted stock (See Note 10).

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Segment Reporting — The Company operates upscale affordable Italian dining restaurants under two brands, exclusively in the United States, that have similar economic characteristics, nature of products and service, class of customer and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance.

Recently Adopted Accounting Pronouncements — The Company reviewed all newly issued accounting pronouncements and concluded that they either are not applicable to its operations or that no material effect is expected on its financial statements as a result of future adoption.

2. EARNINGS PER SHARE

Basic earnings per common share (EPS) data is computed based on weighted average common shares outstanding during the period. Diluted EPS data is computed similarly, but includes the effect of the assumed exercise of dilutive stock options, if any, and vesting of restricted stock under the treasury stock method.

The computations of basic and diluted earnings per common share for 2012, 2011 and 2010 are as follows:

(in thousands, except per share data)

	Fiscal Years		
	2012	2011	2010
Net income (loss) attributed to common shareholders	$16,148	$76,444	$(4,999)
Weighted average common shares outstanding	19,584	19,322	9,281
Effect of dilutive securities:			
Stock options	979	1,141	—
Restricted stock	49	87	—
Weighted average common and potentially issuable common shares outstanding — diluted	20,612	20,550	9,281
Basic net income (loss) per common share	$ 0.82	$ 3.96	$ (0.54)
Diluted net income (loss) per common share	$ 0.78	$ 3.72	$ (0.54)

All 992,192 stock options and 345,312 unvested shares of restricted stock at December 30, 2012 were included in the diluted share count for 2012. All 1,260,825 stock options and 318,531 unvested shares of restricted stock at December 25, 2011 were included in the diluted share count for 2011. All 1,414,203 stock options and 449,300 unvested shares of restricted stock at December 26, 2010 were anti-dilutive and were not included in the diluted share count due to the net loss incurred during 2010.

3. PROPERTY AND EQUIPMENT

The major classes of property and equipment at December 30, 2012 and December 25, 2011 are summarized as follows (in thousands):

	2012	2011
Land and buildings	$ 7,009	$ 6,246
Leasehold improvements	174,449	151,680
Equipment and fixtures	99,514	90,188
Construction in progress	7,065	10,736
Deposits on equipment orders	661	899
Total	288,698	259,749
Less accumulated depreciation and amortization	(112,729)	(96,541)
Property and equipment, net	$ 175,969	$163,208

4. OTHER ASSETS

The major classes of other assets at December 30, 2012 and December 25, 2011 are summarized as follows (in thousands):

	2012	2011
Loan origination fees	$ 1,876	$1,876
Liquor licenses	2,928	1,683
Trademarks	190	165
Deposits	361	312
Other assets — at cost	5,355	4,036
Less accumulated amortization	(1,011)	(606)
Other assets — net	$ 4,344	$3,430

5. LONG-TERM DEBT

Long-term debt at December 30, 2012 and December 25, 2011 consisted of the following (in thousands):

	2012	2011
Term loan	$23,086	$32,571
Less current maturities	(2,704)	(1,714)
Long-term debt	$20,382	$30,857

On October 26, 2010, the Company, in connection with its IPO, entered into a senior credit agreement with a syndicate of financial institutions with respect to the senior credit facilities. The senior credit facilities provide for (i) a $45.0 million term loan facility, maturing in 2015, and (ii) a revolving credit facility under which the Company may borrow up to $40.0 million (including a sublimit cap of up to $10.0 million for letters of credit and up to $10.0 million for swing-line loans), maturing in 2015.

Under the credit agreement, the Company is allowed to incur additional incremental term loans and/or increases in the revolving credit facility of up to $20.0 million if no event of default exists and certain other requirements are satisfied. Borrowings under the senior credit facilities bear interest at the Company's option of either (i) the Alternate Base Rate (as such term is defined in the credit agreement) plus the applicable margin of 1.75% to 2.25% or (ii) at a fixed rate for a period of one, two, three or six months equal to the London interbank offered rate, LIBOR, plus the applicable margin of 2.75% to 3.25%. In addition to paying any outstanding principal amount under the Company's senior credit facilities, the Company is required to pay an unused facility fee to the lenders equal to 0.50% to 0.75% per annum on the aggregate amount of the unused revolving credit facility, excluding swing-line loans, commencing on October 26, 2010, payable quarterly in arrears. Borrowings under the Company's senior credit facilities are collateralized by a first priority interest in all assets of the Company.

On October 9, 2012, the Company entered into an amendment to its credit agreement. The amendment eliminated dollar restrictions in paying dividends, distributions to shareholders, or repurchasing its common shares subject to a defined leverage ratio.

The credit agreement provides for bank guarantees under standby letter of credit arrangements in the normal course of business operations. The standby letters of credit are cancellable only at the option of the beneficiary who is authorized to draw drafts on the issuing bank up to the face amount of the standby letters of credit in accordance with its credit. As of December 30, 2012, the maximum exposure under these standby letters of credit was $2.6 million.

The weighted average interest rate on Company borrowings at December 30, 2012 was 3.03% as compared to 3.09% at December 25, 2011.

Future maturities of debt as of December 30, 2012 were as follows (in thousands):

2013	$ 2,704
2014	2,704
2015	17,678
Total	$23,086

Pursuant to the credit agreement relating to the Company's senior credit facilities, the Company is required to meet certain financial covenants including leverage ratios, fixed charge ratios, capital expenditures as well as other customary affirmative and negative covenants. At December 30, 2012, the Company was in compliance with its applicable financial covenants.

6. ACCRUED EXPENSES

The major classes of accrued expenses at December 30, 2012 and December 25, 2011 are summarized as follows (in thousands):

	2012	2011
Compensation and related benefits	$10,182	$ 8,433
Accrued self-insurance claims liability	5,936	4,576
Other taxes payable	4,992	4,324
Other accrued liabilities	3,614	2,850
Total accrued expenses	$24,724	$20,183

7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at December 30, 2012 and December 25, 2011 consisted of the following (in thousands):

	2012	2011
Deferred rent	$19,762	$17,928
Other long-term liabilities	1,387	235
Total other long-term liabilities	$21,149	$18,163

8. LEASES

The Company leases certain land and buildings used in its restaurant operations under various long-term operating lease agreements. The initial lease terms range from 10 to 20 years and currently expire between 2013 and 2027. The leases include renewal options for 2 to 20 additional years. The majority of leases provide for base (fixed) rent, plus additional rent based on gross sales, as defined in each lease agreement, in excess of a stipulated amount, multiplied by a stated percentage. The Company is also generally obligated to pay certain real estate taxes, insurances, common area maintenance (CAM) charges, and various other expenses related to the properties.

At December 30, 2012, the future minimum rental commitments under noncancellable operating leases, including option periods which are reasonably assured of renewal, were as follows (in thousands):

2013	$ 24,630
2014	25,290
2015	24,925
2016	25,237
2017	25,800
Thereafter	178,347
Total	$304,229

The above future minimum rental amounts exclude renewal options, which are not reasonably assured of renewal and additional rent based on sales. The Company generally has escalating rents over the term of the leases and records rent expense on a straight-line basis for operating leases.

Rent expense, excluding real estate taxes, CAM charges, insurance and other expenses related to operating leases and partially offset by the amortization of deferred lease incentives, in 2012, 2011 and 2010, consisted of the following (in thousands):

	2012	2011	2010
Minimum rent	$17,452	$14,540	$13,727
Contingent rent	1,082	804	900
Total	$18,534	$15,344	$14,627

9. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) defined contribution plan (the “401(k) Plan”) covering all eligible full-time employees. The 401(k) Plan provides for employee salary deferral contributions up to a maximum of 15% of the participants’ eligible compensation, as well as discretionary Company matching contributions. Discretionary Company contributions relating to the 401(k) Plan for the years ended 2012, 2011, and 2010, were $254,000, $245,000 and $228,000, respectively.

10. STOCK BASED COMPENSATION

2006 Plan

Stock option activity under the 2006 Plan for 2012, 2011 and 2010 was summarized as follows:

	2012	2011	2010
Outstanding — beginning of year	1,260,825	1,414,203	1,776,727
Weighted-average exercise price	$ 1.44	$ 1.44	$ 1.45
Granted	—	—	—
Weighted-average exercise price	$ —	$ —	$ —
Exercised	(268,633)	(153,378)	—
Weighted-average exercise price	$ 1.43	$ 1.39	$ —
Forfeited	—	—	(362,524)
Weighted-average exercise price	$ —	$ —	$ 1.45
Outstanding — end of year	992,192	1,260,825	1,414,203
Weighted-average exercise price	$ 1.45	$ 1.44	$ 1.44
Exercisable — end of year	992,192	1,260,825	1,414,203

The weighted-average remaining contractual term of options outstanding at December 30, 2012 was four years and all options were exercisable. Aggregate intrinsic value is calculated as the difference between the Company's closing price at the end of the fiscal year and the exercise price, multiplied by the number of in-the-money options and represents the pre-tax amount that would have been received by the option holders had they all exercised such options on the fiscal year end date. The aggregate intrinsic value for outstanding and exercisable options at December 30, 2012 was $11.6 million.

The total weighted-average grant-date fair value of options granted in 2007 and 2009 was $0.52, and was estimated at the date of grant using the Black-Scholes option-pricing model. The following assumptions were used for these options: weighted-average risk-free interest rate of 4.49%, no expected dividend yield, weighted-average volatility of 32.2%, based upon competitors within the industry, and an expected option life of five years. However, due to the modification that occurred in October 2010 to fix the number of options at 80% of the original grant, all of the options were subject to modification accounting and therefore were revalued in their entirety at the date of the modification. As a result of this modification, the Company recorded a one-time non-cash charge of $17.9 million in stock compensation expense for the year ended December 26, 2010, all of which was recorded in the fourth quarter of 2010.

Following the modification, the total weighted-average fair value of options granted as part of the 2006 Plan was $12.64, and was estimated at the date of the modification using the Black-Scholes option-pricing model. The following assumptions were used for these options: weighted-average risk-free interest rate of 1.10%, no expected dividend yield, weighted-average volatility of 45.8%, based upon competitors within the industry, and an expected option life of five years.

Stock Incentive Plan

In October 2010, the Company adopted the Stock Incentive Plan. Restricted stock activity for fiscal 2012, 2011 and 2010 were as follows.

	2012	2011	2010
Outstanding — beginning of year	318,531	449,300	—
Weighted-average grant price	$ 16.99	$ 16.90	$ —
Granted	157,000	5,000	451,800
Weighted-average grant price	$ 19.76	$ 22.41	$ 16.90
Vested	(102,719)	(107,519)	(500)
Weighted-average grant price	$ 16.97	$ 16.90	$ 16.90
Forfeited	(27,500)	(28,250)	(2,000)
Weighted-average grant price	$ 17.78	$ 16.90	$ 16.90
Outstanding — end of year	345,312	318,531	449,300
Weighted-average exercise price	$ 18.19	$ 16.99	$ 16.90

Fair value of the outstanding shares of restricted stock is based on the average of the high and low price of the Company's shares on the date immediately preceding the date of grant. In 2012, the Company recorded approximately $2.4 million in stock compensation costs related to the shares of restricted stock. As of December 30, 2012, total unrecognized stock-based compensation expense related to non-vested shares of restricted stock was approximately $5.6 million, which is expected to be recognized over a weighted average period of approximately 2.4 years taking into account potential forfeitures. These shares of restricted stock will vest, subject to certain exceptions, annually over a four-year period. In conjunction with the shares vested in 2012, 27,483 shares were withheld to cover the minimum tax withholdings of the shareholders and were not issued. These shares were withheld at a average price of $12.63 per share, which was the average of the high and low price of the Company's shares on the date immediately preceding each vesting date when shares were withheld.

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11. INCOME TAXES

The provision for income taxes for 2012, 2011 and 2010 consisted of the following (in thousands):

	2012	2011	2010
Current income tax expense:			
Federal	$1,108	$ 699	$ —
State and local	777	752	228
Total current income tax expense	1,885	1,451	228
Deferred income tax expense (benefit):			
Federal	3,188	(54,028)	—
State and local	579	(4,111)	—
Total deferred income tax expense (benefit)	3,767	(58,139)	—
Total income tax expense (benefit)	$5,652	$(56,688)	$228

Deferred income taxes as of December 30, 2012 and December 25, 2011 consisted of the following (in thousands):

	2012	2011
Deferred tax assets:		
Goodwill for tax reporting purposes	$27,990	$31,319
Stock compensation	5,102	6,184
Self-insurance reserves	2,423	2,623
Depreciation and amortization	5,967	4,653
State net operating losses	13	169
FICA tip credit carryforward	17,496	16,143
Other	705	640
Total gross deferred tax assets	59,696	61,731
Deferred tax liabilities:		
Prepaid assets	(554)	(457)
Deferred rent	(4,770)	(3,135)
Total gross deferred tax liabilities	(5,324)	(3,592)
Net deferred tax asset	$54,372	$58,139

Goodwill for tax reporting purposes is amortized over 15 years. At December 30, 2012, the Company had net operating loss carryforwards for state income tax purposes of $0.2 million and no federal net operating loss carryforwards. The Company also has general business credit carryforwards mainly consisting of Federal Insurance Contributions Act (FICA) tip credit carryforwards of $17.5 million, which will expire at various dates from 2026 through 2032.

The Company established a $59.5 million valuation allowance in 2008 against its then existing net deferred tax assets and credits as it was deemed the negative evidence outweighed the positive evidence and therefore the deferred tax assets were not likely to be realized in future periods.

During 2011, the Company determined that it was more likely than not that its existing net deferred tax assets and tax credits would be realized after considering all positive and negative evidence. Positive evidence included cumulative profitability, future tax deductions and credits and a forecast of future taxable income sufficient to realize its existing net deferred tax assets prior to the expiration of existing net operating loss and credit carryforwards. Accordingly, the Company recorded an income tax benefit of $62.8 million related to the reduction of the total federal and state valuation allowance against net deferred income tax assets in 2011.

As of December 30, 2012, the Company no longer carries a valuation allowance against net deferred tax assets. The Company's conclusion that it is more likely than not that such deferred tax assets will be realized is strongly influenced by its forecast of future taxable income. The Company believes its forecast of future taxable income is reasonable; however, forecasts of future taxable income are inherently uncertain. Therefore, if the Company realizes materially less future taxable income than forecasted or has material unforeseen losses, then its ability to generate sufficient income necessary to realize its existing deferred tax assets may be reduced. In addition, the Company will continue to assess the assumptions used to determine the amount of the tax valuation allowance and may adjust the tax valuation allowance in future periods based on changes in assumptions of forecasted future taxable income and other factors, which may result in an additional charge to increase the valuation allowance.

The income tax benefit recorded for the respective periods presented differs from the expected income tax expense or benefit that would be calculated by applying the federal statutory rate to the Company's income before income taxes primarily due to the reduction in the valuation allowance for deferred tax assets, the utilization of net operating losses and outstanding tax credits.

The effective income tax expense differs from the federal statutory tax expense for the years ended December 30, 2012, December 25, 2011 and December 26, 2010, as follows (in thousands):

	2012	2011	2010
Provision at statutory rate	$ 7,631	$ 6,914	$ (351)
FICA tip credit	(4,318)	(3,773)	(3,487)
State income taxes — net of federal benefit	928	1,584	104
Other — net	1,411	1,355	1,242
Deferred tax asset valuation allowance	0	(62,768)	2,720
Total income tax (benefit) expense	$ 5,652	$(56,688)	$ 228

The Company recognizes a position taken or expected to be taken on a tax return in the financial statements when it is more likely than not (i.e. a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Changes in judgment that result in subsequent recognition, derecognition, or change in a measurement of a tax position taken in a prior annual period (including any related interest and penalties) is recognized as a discrete item in the interim period in which the change occurs. As of December 30, 2012 and December 25, 2011, the Company had no uncertain income tax positions.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company is currently open to audit, subject to the statute of limitations, by the Internal Revenue Service for the years ended December 27, 2009 through December 30, 2012. The Company is currently open to audit, subject to the statute of limitations, under certain states for the years ended December 28, 2008 through December 30, 2012. In 2012, the Company was audited by the Internal Revenue Service for the fiscal year ended December 26, 2010. This audit is still open; however, the Company does not believe that there are any issues that would create a material impact to the financial statements.

It is the Company's policy to include any penalties and interest related to income taxes in its income tax provision; however, the Company currently has no penalties or interest related to income taxes.

12. COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims, possible legal actions, and other matters arising out of the normal course of business. While it is not possible to predict the outcome of these issues, management is of the opinion that adequate provision for potential losses has been made in the accompanying consolidated financial statements and that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

On May 24, 2012, the Company was named as a defendant in a class action lawsuit alleging certain violations of the Fair Labor Standards Act as well as certain Iowa wage and hours laws. The Company has answered the complaint and denied the allegations. The Company believes that it has meritorious defenses to these allegations and intends to continue to vigorously defend against them, including challenging the plaintiffs' efforts to certify a class. Due to the preliminary nature of this matter, the Company cannot currently estimate with any degree of certainty the amount or range of potential loss relating to such action, if any.

13. INTERIM FINANCIAL RESULTS (UNAUDITED)

The following tables set forth certain unaudited consolidated financial information for each of the four quarters in fiscal 2012 and fiscal 2011 (in thousands, except per share data):

	Fiscal 2012				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenues	$98,377	$102,807	$95,921	$111,960	$409,065
Income from operations(1)	5,724	7,404	4,198	5,827	23,153
Net income	3,759	5,120	2,827	4,442	16,148
Basic net income per share	$ 0.19	$ 0.26	$ 0.14	$ 0.23	$ 0.82
Diluted net income per share(3)	$ 0.18	$ 0.25	$ 0.14	$ 0.22	$ 0.78
Basic weighted average shares outstanding	19,501	19,555	19,618	19,656	19,584
Diluted weighted average shares outstanding	20,582	20,618	20,649	20,601	20,612

	Fiscal 2011				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenues	$90,418	$ 94,400	$88,774	$ 95,653	$369,245
Income from operations(1)	5,110	6,829	4,113	5,415	21,467
Net income(2)	4,547	63,398	3,598	4,901	76,444
Basic net income per share(3)	$ 0.24	$ 3.29	$ 0.19	$ 0.25	$ 3.96
Diluted net income per share(3)	$ 0.22	$ 3.09	$ 0.18	$ 0.24	$ 3.72
Basic weighted average shares outstanding	19,251	19,277	19,330	19,430	19,322
Diluted weighted average shares outstanding	20,537	20,547	20,551	20,563	20,550

(1) Contains asset impairment charges that decreased income by $4.1 million related to two restaurants in the fourth quarter of 2012 and impairment charges that decreased income by $2.2 million related to one restaurant in the fourth quarter of 2011.
(2) Contains a reduction in the valuation allowance of $57.2 million in the second quarter of 2011, which increased net income as it was deemed more likely than not that the Company would utilize its future net deferred tax assets.
(3) Sum of the quarterly amounts do not equal the total year amount due to rounding.

In management's opinion, the unaudited quarterly information shown above has been prepared on the same basis as the audited consolidated financial statements and includes all necessary adjustments that management considers necessary for a fair presentation of the unaudited quarterly results when read in conjunction with the consolidated financial statements and the accompanying notes. The Company believes that quarter-to-quarter comparisons of its financial results are not necessarily indicative of future performance.

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Exhibit Index

	Description
3.1	Second Amended and Restated Articles of Incorporation of Bravo Brio Restaurant Group, Inc. (incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2010).
3.2	Second Amended and Restated Regulations of Bravo Brio Restaurant Group, Inc. (incorporated by reference from Exhibit 3.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2010).
4.1	Form of Common Stock Certificate (incorporated by reference from Exhibit 4.1 to Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on October 7, 2010).
4.2	Credit Agreement, dated as of October 26, 2010, by and among Bravo Brio Restaurant Group, Inc., as borrower, the domestic subsidiaries of the borrower, as guarantors, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, KeyBank National Association and Regions Financial Corporation, as co-documentation agents, and Wells Fargo Securities, LLC and Banc of America Securities LLC, as co-lead arrangers and joint book managers (incorporated by reference from Exhibit 4.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2010).
4.3	First amendment to the Credit Agreement, dated as of October 9, 2012, by and among Bravo Brio Restaurant Group, Inc., as borrower, the domestic subsidiaries of the borrower, as guarantors, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, Bank of America, N.A., as syndication agent, KeyBank National Association and Regions Financial Corporation, as co-documentation agents, and Wells Fargo Securities, LLC and Banc of America Securities LLC, as co-lead arrangers and joint book managers.
10.1+	Employment Agreement, effective January 12, 2007, by and between Bravo Development, Inc. and Saed Mohseni (incorporated by reference from Exhibit 10.10 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on July 2, 2010).
10.2+	Employment Agreement, dated as of October 26, 2010, by and between Bravo Brio Restaurant Group, Inc. and James J. O'Connor (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2010).
10.3	Exchange Agreement, dated as of October 18, 2010, by and among Bravo Brio Restaurant Group, Inc., Bravo Development Holdings LLC and all other shareholders of Bravo Brio Restaurant Group, Inc. listed on the signature pages thereto (incorporated by reference from Exhibit 10.16 to Amendment No. 5 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on October 19, 2010).
10.4	Plan of Reorganization, dated as of October 18, 2010, by and between Bravo Brio Restaurant Group, Inc. and Bravo Development Holdings LLC (incorporated by reference from Exhibit 10.17 to Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on October 7, 2010).
10.5+	Bravo Development, Inc. 2006 Stock Option Plan (incorporated by reference from Exhibit 10.11 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on July 2, 2010).
10.6+	Amendment No. 1 to the Bravo Development, Inc. 2006 Stock Option Plan (incorporated by reference from Exhibit 10.11 to Amendment No. 3 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on October 7, 2010).

	Description
10.7+	Form of Option Award Letter under the Bravo Development, Inc. 2006 Stock Option Plan (incorporated by reference from Exhibit 10.12 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on July 2, 2010).
10.8+	Bravo Brio Restaurant Group, Inc. Stock Incentive Plan (incorporated by reference from Exhibit 10.9 to the Company's 2010 Form 10K filed with the Securities and Exchange Commission on February 17, 2011).
10.9+	Form of Non-Qualified Option Award Letter under the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan (incorporated by reference from Exhibit 10.14 to Amendment No. 4 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on October 8, 2010).
10.10+	Form of Restricted Stock Award Letter under the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan (incorporated by reference from Exhibit 10.15 to Amendment No. 4 to the Registration Statement on Form S-1 (Registration No. 333-167951) filed with the Securities and Exchange Commission on October 8, 2010).
10.11*	Bravo Brio Restaurant Group, Inc. Foodservice Distribution Agreement, dated as of February 10, 2011, by and between Bravo Brio Restaurant Group, Inc. and Distribution Market Advantage, Inc (incorporated by reference from Exhibit 10.12 to the Company's 2010 Form 10K filed with the Securities and Exchange Commission on February 17, 2011).
10.12	Form of Indemnification Agreement for certain officers and directors.
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of Bravo Brio Restaurant Group, Inc.
23.1	Consent of Deloitte & Touche LLP.
24.1	Powers of Attorney (included on the signature page).
31.1	Certifications of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ Indicates management contract or compensatory plan or arrangement.

* Certain information in this exhibit has been omitted and filed separately with the SEC. Confidential treatment has been granted by the SEC with respect to the omitted portions.

SIGNATURES

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

Date: March 5, 2013

Bravo Brio Restaurant Group, Inc.

By: /s/ Saed Mohseni
Saed Mohseni
President, Chief Executive Officer and Director
(Principal Executive Officer)

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Saed Mohseni and James J. O'Connor, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their substitute or substituted, may lawfully do or cause to be done by virtue thereof.

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

	Signature	Title	Date
By:	/s/ Saed Mohseni Saed Mohseni	President, Chief Executive Officer and Director (principal executive officer)	March 5, 2013
By:	/s/ James J. O'Connor James J. O'Connor	Chief Financial Officer, Treasurer and Secretary (principal financial officer and principal accounting officer)	March 5, 2013
By:	/s/ Thomas J. Baldwin Thomas J. Baldwin	Director	March 5, 2013
By:	/s/ Alton F. Doody III Alton F. Doody III	Director	March 5, 2013
By:	/s/ James S. Gulmi James S. Gulmi	Director	March 5, 2013
By:	/s/ David B. Pittaway David B. Pittaway	Director	March 5, 2013
By:	/s/ Harold O. Rosser, II Harold O. Rosser, II	Director	March 5, 2013
By:	/s/ Fortunato N. Valenti Fortunato N. Valenti	Director	March 5, 2013

Exhibit 4.3

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this " Amendment "), dated as of October 10, 2012, is by and among **BRAVO BRIO RESTAURANT GROUP, INC.** , an Ohio corporation (the " Borrower "), the Domestic Subsidiaries of the Borrower as may from time to time become a party hereto (the " Guarantors "), **WELLS FARGO BANK, NATIONAL ASSOCIATION** , as administrative agent on behalf of the Lenders under the Credit Agreement (as hereinafter defined) (in such capacity, the " Administrative Agent ") and each Lender party hereto. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement.

W I T N E S S E T H

WHEREAS , the Borrower, the Guarantors, certain banks and financial institutions from time to time party thereto (the " Lenders ") and the Administrative Agent are parties to that certain Credit Agreement dated as of October 26, 2010 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the " Credit Agreement ");

WHEREAS , the Credit Parties have requested that the Lenders amend the Credit Agreement and the Required Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions hereof;

NOW, THEREFORE , in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS TO CREDIT AGREEMENT

As of the Amendment Effective Date (as hereinafter defined), the Credit Agreement is hereby amended in the following respects:

1.1 Amendment to Section 6.10(a)(iii) . Section 6.10(a)(iii) of the Credit Agreement is amended and restated in its entirety to read as follows:

(iii) the Borrower may repurchase, redeem, or otherwise acquire for value any Equity Interests of the Borrower and/or make additional dividends and distributions to its shareholders not otherwise permitted pursuant to this Section 6.10 so long as, with respect to any such Restricted Payment, (A) no Default or Event of Default then exists or would exist after giving effect to such Restricted Payment, (B) the Credit Parties shall demonstrate to the reasonable satisfaction of the Administrative Agent that, after giving effect to such payment on a Pro Forma Basis, the Credit Parties are in compliance with each of the financial covenants set forth in Section 5.9 and (C) the aggregate amount of

Restricted Payments made by the Borrower pursuant to this clause (iii) do not exceed (1) $10,000,000 in any fiscal year, and (2) $20,000,000 for all such Restricted Payments made after the Closing Date; provided that with respect to any proposed Restricted Payment of the type described in this clause (iii), if (I) after giving effect on a Pro Forma Basis to such Restricted Payment the Consolidated Total Leverage Ratio would be equal to or less than 1.00 to 1.00 (as demonstrated to the reasonable satisfaction of the Administrative Agent prior to the date of such Restricted Payment) and (II) the conditions set forth in the foregoing clauses (A) and (B) have otherwise been satisfied, the Borrower shall be permitted to make such Restricted Payment without regard to the limitations set forth in clause (C) above (it being understood and agreed that (x) in determining whether a proposed Restricted Payment would be permitted under clause (C) above at a time where the condition set forth in clause (I) of this proviso would not be satisfied with respect to such Restricted Payment, all Restricted Payments made in reliance on this clause (iii) during such fiscal year or after the Closing Date, as applicable, shall be considered in determining whether such Restricted Payment would be permitted under such clause (C) and (y) any Restricted Payment that is permitted by this clause (iii) at the time it is made shall thereafter be permitted by this clause (iii) regardless of whether the conditions set forth in foregoing clause (A) through (C) above continue to be satisfied);

1.2 Amendment to Section 6.10(a)(v) . Section 6.10(a)(v) of the Credit Agreement is amended and restated in its entirety to read as follows:

(v) [Reserved]; and

ARTICLE II

2.1 Closing Conditions . This Amendment shall be deemed effective as of the date set forth above (the " Amendment Effective Date ") upon satisfaction of the following conditions (in form and substance reasonably acceptable to the Administrative Agent):

(a) Executed Amendment . The Administrative Agent shall have received a copy of this Amendment duly executed by each of the Credit Parties, the Administrative Agent and the Required Lenders.

(b) Legal Fees and Expenses . Moore & Van Allen PLLC shall have received from the Borrower payment of all outstanding fees and expenses previously incurred and all fees and expenses incurred in connection with this Amendment.

ARTICLE III
MISCELLANEOUS

3.1 Amended Terms . On and after the Amendment Effective Date, all references to the Credit Agreement in each of the Credit Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

3.2 Representations and Warranties of Credit Parties . Each of the Credit Parties represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligations, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment.

(d) The representations and warranties set forth in the Credit Documents are true and correct as of the date hereof (except for those which expressly relate to an earlier date).

(e) After giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(f) The Security Documents continue to create a valid security interest in, and Lien upon, the Collateral, in favor of the Administrative Agent, for the benefit of the Lenders, which security interests and Liens are perfected in accordance with the terms of the Security Documents and prior to all Liens other than Permitted Liens.

(g) Except as specifically provided in this Amendment, the Credit Party Obligations are not reduced or modified by this Amendment and are not subject to any offsets, defenses or counterclaims.

3.3 Reaffirmation of Credit Party Obligations . Each Credit Party hereby ratifies the Credit Agreement and each other Credit Document to which it is a party and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement and each other Credit Document to which it is a party applicable to it and (b) that it is responsible for the observance and full performance of its respective Credit Party Obligations.

3.4 Credit Document . This Amendment shall constitute a Credit Document under the terms of the Credit Agreement.

3.5 Expenses . The Borrower agrees to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of the Administrative Agent's legal counsel.

3.6 Further Assurances . The Credit Parties agree to promptly take such action, upon the request of the Administrative Agent, as is necessary to carry out the intent of this Amendment.

3.7 Entirety . This Amendment and the other Credit Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

3.8 Counterparts; Telecopy . This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart to this Amendment by telecopy or other electronic means shall be effective as an original and shall constitute a representation that an original will be delivered.

3.9 No Actions, Claims, Etc . As of the date hereof, each of the Credit Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Administrative Agent, the Lenders, or the Administrative Agent's or the Lenders' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

3.10 GOVERNING LAW . THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

3.11 Successors and Assigns . This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.12 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial . The jurisdiction, services of process and waiver of jury trial provisions set forth in Sections 9.13 and 9.17 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis* .

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWER:

BRAVO BRIO RESTAURANT GROUP, INC.

By: /s/ James J. O'Connor
Name: James J. O'Connor
Title: Chief Financial Officer, Treasurer and Secretary

GUARANTORS:

BRAVO DEVELOPMENT OF KANSAS, INC.

By: /s/ James J. O'Connor
Name: James J. O'Connor
Title: Vice President and Secretary

BRIO TUSCAN GRILLE OF MARYLAND, INC.

By: /s/ James J. O'Connor
Name: James J. O'Connor
Title: Vice President and Secretary

CHERRY HILL TWO, LLC
By Bravo Brio Restaurant Group, Inc. its sole member

By: /s/ James J. O'Connor
Name: James J. O'Connor
Title: Chief Financial Officer, Treasurer and Secretary

ADMINISTRATIVE AGENT:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent on behalf of the Lenders

By: /s/ Sally Hoffman
Name: Sally Hoffman
Title: Managing Director

LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Sally Hoffman
Name: Sally Hoffman
Title: Managing Director

BANK OF AMERICA, N.A.

By: /s/ John H. Schmidt
Name: John H. Schmidt
Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ Amanda M. Sigg
Name: Amanda M. Sigg
Title: Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Marianne Meil
Name: Marianne Meil
Title: Senior Vice President

REGIONS BANK

By: /s/ Kelly Nyquist
Name: Kelly Nyquist
Title: Assistant Vice President

Exhibit 10.12

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the " **Agreement** ") is made and entered into this [•] day of [•], 2013, by and between Bravo Brio Restaurant Group, Inc., an Ohio corporation (the " **Company** ," which term shall include, where appropriate, any Entity (as hereinafter defined) controlled directly or indirectly by the Company), and [•] (the " **Indemnitee** ").

WHEREAS, it is essential to the Company that it be able to retain and attract as directors and officers the most capable persons available;

WHEREAS, increased corporate litigation has subjected directors and officers to litigation risks and expenses, and the limitations on the availability of directors and officers liability insurance have made it increasingly difficult for the Company to attract and retain such persons;

WHEREAS, the Company's Second Amended and Restated Articles of Incorporation and Second Amended and Restated Regulations (the " **Articles** " and the " **Regulations** ," respectively), provide that the Company shall indemnify its directors and officers to the fullest extent permitted by law and permit it to make other indemnification arrangements and agreements;

WHEREAS, the Company desires to provide Indemnitee with specific contractual assurance of Indemnitee's rights to full indemnification against litigation risks and expenses (regardless, among other things, of any amendment to or revocation of the Articles or Regulations or any change in the ownership of the Company or the composition of its Board of Directors);

WHEREAS, the Company intends that this Agreement provide Indemnitee with greater protection than that which is provided by the Articles and Regulations; and

WHEREAS, Indemnitee is relying upon the rights afforded under this Agreement in becoming or continuing as a director and/or officer of the Company.

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Definitions .

(a) " **Corporate Status** " describes the status of a person who is serving or has served (i) as a director and/or officer of the Company, (ii) in any capacity with respect to any employee benefit plan of the Company or (at the request of the Company) any employee benefit plan of any other Entity, or (iii) as a director and/or officer of any other Entity at the request of the Company. For purposes of subsections (ii) and (iii) of this Section 1(a), if Indemnitee is serving or has served as a director and/or officer of a Subsidiary, or in any capacity with respect to any employee benefit plan of a Subsidiary, Indemnitee shall be deemed to be serving at the request of the Company. If Indemnitee is an employee of the Company, Corporate Status shall not include actions taken by Indemnitee in any capacity other than as a director, as an officer or as a representative of any employee benefit plan.

(b) " **Entity** " shall mean any corporation, partnership, limited liability company, joint venture, trust, foundation, association, organization or other legal entity.

(c) " **Expenses** " shall mean all fees, costs and expenses incurred by Indemnitee in connection with any Proceeding (as defined below), including, without limitation, attorneys' fees, disbursements and retainers (including, without limitation, any such fees, disbursements and retainers incurred by Indemnitee pursuant to Sections 11 and 12(c) of this Agreement), fees and disbursements of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), court costs, transcript costs, fees of experts, travel expenses, duplicating, printing and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services, and other disbursements and expenses.

(d) " **Indemnifiable Expenses** ," " **Indemnifiable Liabilities** " and " **Indemnifiable Amounts** " shall have the meanings ascribed to those terms in Section 3(a) below.

(e) " **Liabilities** " shall mean judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement.

(f) " **Proceeding** " shall mean any threatened, pending or completed claim, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal, or any other proceeding, whether civil, criminal, administrative, arbitrative or investigative, whether formal or informal, including a proceeding initiated by Indemnitee pursuant to Section 11 of this Agreement to enforce Indemnitee's rights hereunder.

(g) " **Subsidiary** " shall mean any corporation, partnership, limited liability company, joint venture, trust or other Entity of which the Company owns (either directly or through or together with another Subsidiary of the Company) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other Entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity.

2. Services of Indemnitee . In consideration of the Company's covenants and commitments hereunder, Indemnitee agrees to serve or continue to serve as a director and/or officer of the Company. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

3. Agreement to Indemnify . The Company agrees to indemnify Indemnitee as follows:

(a) Proceedings Other Than by or in the Right of the Company . Subject to the exceptions contained in Section 4 below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company against all Expenses and Liabilities incurred or paid by Indemnitee in connection with such Proceeding (referred to herein as " **Indemnifiable Expenses** " and " **Indemnifiable Liabilities** ," respectively, and collectively as " **Indemnifiable Amounts** ").

(b) Proceedings by or in the Right of the Company . Subject to the exceptions contained in Section 4 below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company against all Indemnifiable Expenses.

(c) Conclusive Presumption Regarding Standard of Care . In making any determination required to be made under Ohio law with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee submitted a request therefor in accordance with Section 5 of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption by clear and convincing evidence.

4. Exceptions to Indemnification . Subject to Section 20 below, Indemnitee shall be entitled to indemnification under Sections 3(a) and 3(b) above in all circumstances and with respect to each and every specific claim, issue or matter involved in the Proceeding out of which Indemnitee's claim for indemnification has arisen, except as follows:

(a) the Company shall not indemnify an Indemnitee (i) by reason of such Indemnitee's Corporate Status in respect of any claim, issue or matter asserted in a Proceeding by or in the right of the Company as to which the Indemnitee shall have been adjudged to be liable to the Company for an act or omission undertaken by such Indemnitee in such capacity with deliberate intent to cause injury to the Company or with reckless disregard for the best interests of the Company or (ii) in any Proceeding by or in the right of the Company in which the only liability is asserted pursuant to Section 1701.95 of the Ohio Revised Code against the Indemnitee, unless and only to the extent that the court of common pleas in the county in Ohio in which the principal office of the Company is located or the court in which a Proceeding is brought (each, a " **Designated Court** ") shall determine, upon application of either the Indemnitee or the Company, that, despite the adjudication or assertion of such liability, and in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to such indemnity as the Designated Court shall deem proper. In the event of any such determination by the Designated Court, the Company shall timely pay any indemnification determined by the Designated Court to be proper as contemplated by this Section 4(a);

(b) a determination is made that such indemnification shall be denied or limited because (i) the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, the Indemnitee had reasonable cause to believe that such Indemnitee's conduct was unlawful, or (ii) the Indemnitee did not actually or reasonably incur an Indemnifiable Amount; or

(c) it has been finally adjudicated by a court of competent jurisdiction that Indemnitee is liable to the Company for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state or local statutory law, Indemnitee shall not be entitled to payment of Indemnifiable Expenses hereunder.

(d) Insurance Proceeds . To the extent payment is actually made to the Indemnitee under a valid and collectible insurance policy maintained at the expense of the Company in respect of Indemnifiable Amounts in connection with such specific claim, issue or matter, Indemnitee shall not be entitled to payment of Indemnifiable Amounts hereunder except in respect of any excess of such Indemnifiable Amounts beyond the amount of payment under such insurance.

5. Procedure for Payment of Indemnifiable Amounts . Indemnitee shall submit to the Company a written request specifying the Indemnifiable Amounts for which Indemnitee seeks payment under Section 3 of this Agreement and the basis for the claim. The Company shall pay such Indemnifiable Amounts to Indemnitee promptly, but in no event later than ten (10) calendar days after receipt of such request. At the request of the Company, Indemnitee shall furnish such documentation and information as are reasonably available to Indemnitee and necessary to establish that Indemnitee is entitled to indemnification hereunder.

6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful . Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Agreement, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, by reason of settlement, judgment, order or otherwise, shall be deemed to be a successful result as to such claim, issue or matter.

7. Effect of Certain Resolutions . Neither the settlement nor termination of any Proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create a presumption that Indemnitee is not entitled to indemnification hereunder.

8. Agreement to Advance Expenses; Undertaking . The Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding, including a

Proceeding by or in the right of the Company, in which Indemnitee is involved by reason of such Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a written statement from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by the Indemnitee in connection with the defense of the Proceeding and shall include or be accompanied by a written undertaking by or on behalf of such Indemnitee to repay such amount if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Company in respect of such Expense. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement.

9. Procedure for Advance Payment of Expenses. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Expenses for which Indemnitee seeks an advancement under Section 8 of this Agreement, together with documentation reasonably evidencing that Indemnitee has incurred such Indemnifiable Expenses.

10. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

11. Remedies of Indemnitee.

(a) Right to Petition Court. If (A) a claim for indemnification under Sections 3 and 5 above is not paid in full by the Company within sixty (60) days after a written claim has been received by the Company or (B) a claim for advancement of Expenses under Sections 8 and 9 above is not paid in full by the Company within thirty (30) days after a written claim has been received by the Company, the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the Indemnitee shall be entitled to be indemnified for all the Expenses actually and reasonably incurred by the Indemnitee in prosecuting such claim in enforcing the Indemnitee's rights under this Agreement.

(b) Burden of Proof. In any judicial proceeding brought under Section 11(a) above, the Company shall have the burden of proving that Indemnitee is not entitled to payment of Indemnifiable Amounts hereunder.

(c) Expenses. The Company agrees to reimburse Indemnitee in full for any Expenses incurred by Indemnitee in connection with investigating, preparing for, litigating, defending or settling any action brought by Indemnitee under Section 11(a) above, or in connection with any claim or counterclaim brought by the Company in connection therewith, whether or not Indemnitee is successful in whole or in part in connection with any such action, except to the extent that it has been finally adjudicated by a court of competent jurisdiction that such reimbursement would be unlawful.

(d) Failure to Act Not a Defense . The failure of the Company (including its Board of Directors or any committee thereof, independent legal counsel, or shareholders) to make a determination concerning the permissibility of the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses under this Agreement shall not be a defense in any action brought under Section 11(a) above, and shall not create a presumption that such payment or advancement is not permissible.

12. Defense of the Underlying Proceeding .

(a) Notice by Indemnitee . Indemnitee agrees to notify the Company promptly upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding which may result in the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses hereunder; provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to receive payments of Indemnifiable Amounts or advancements of Indemnifiable Expenses unless the Company's ability to defend in such Proceeding is materially and adversely prejudiced thereby.

(b) Defense by Company . Subject to the provisions of the last sentence of this Section 12(b) and of Section 12(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to the payment of Indemnifiable Amounts hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within ten (10) calendar days of receipt of notice of any such Proceeding under Section 12(a) above. The Company shall not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee or (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee. This Section 12(b) shall not apply to a Proceeding brought by Indemnitee under Section 11(a) above or pursuant to Section 21 below.

(c) Indemnitee's Right to Counsel . Notwithstanding the provisions of Section 12(b) above, in any Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, at the Indemnittee's option Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company, to represent Indemnitee in connection with any such matter and the Expenses incurred by Indemnitee in any such matter shall constitute Indemnifiable Expenses.

13. Representations and Warranties of the Company . The Company hereby represents and warrants to Indemnitee as follows:

(a) Authority . The Company has all necessary power and authority to enter into, and be bound by the terms of, this Agreement, and the execution, delivery and performance of the undertakings contemplated by this Agreement have been duly authorized by the Company.

(b) Enforceability. This Agreement, when executed and delivered by the Company in accordance with the provisions hereof, shall be a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally.

14. Insurance. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with a reputable insurance company providing the Indemnitee with coverage for losses from wrongful acts. For so long as Indemnitee shall have Corporate Status, Indemnitee shall be named as an insured in all policies of director and officer liability insurance in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's officers and directors. If, at the time of the receipt of a notice of a claim pursuant to the terms of this Agreement, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, or if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit.

15. Contract Rights Not Exclusive. The rights to payment of Indemnifiable Amounts and advancement of Indemnifiable Expenses provided by this Agreement shall be in addition to, but not exclusive of, any other rights which Indemnitee may have at any time under applicable law, the Articles or Regulations, or any other agreement, vote of shareholders or directors (or a committee of directors), or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity as a result of Indemnitee's serving as a director of the Company.

16. Successors. This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law) and (b) binding on and shall inure to the benefit of the heirs, personal representatives, executors and administrators of Indemnitee. This Agreement shall continue for the benefit of Indemnitee and such heirs, personal representatives, executors and administrators after Indemnitee has ceased to have Corporate Status.

17. Contribution.

(a) Whether or not the indemnification provided in this Agreement is available, in respect of any threatened, pending or completed Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such Proceeding without requiring Indemnitee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of Expenses and Liabilities paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction or events from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the transaction or events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company (other than Indemnitee) who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Liabilities and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

18. Change in Law . To the extent that a change in Ohio law (whether by statute or judicial decision) or the Company's Articles of Incorporation shall permit broader indemnification or advancement of expenses than is provided under the terms of the Company's Regulations and this Agreement, Indemnitee shall be entitled to such broader indemnification and advancements, and this Agreement shall be deemed to be amended to such extent.

19. Severability . Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement, or any clause thereof, shall be determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, in whole or in part, such provision or clause shall be limited or modified in its application to the minimum extent necessary to make such provision or clause valid, legal and enforceable, and the remaining provisions and clauses of this Agreement shall remain fully enforceable and binding on the parties.

20. Indemnitee as Plaintiff . Except as provided in Section 11(c) of this Agreement and in the next sentence, Indemnitee shall not be entitled to payment of Indemnifiable Amounts or advancement of Indemnifiable Expenses with respect to any Proceeding brought by Indemnitee against the Company, any Entity which it controls, any director or officer thereof, or any third party, unless the Board of Directors of the Company has consented to or ratified the initiation of such Proceeding or the Company provides indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law. This Section shall not apply to counterclaims or affirmative defenses asserted by Indemnitee in an action brought against Indemnitee.

21. Modifications and Waivers; Counterparts . Except as provided in Section 18 above with respect to changes in Ohio law which broaden the right of Indemnitee to be indemnified by the Company or to receive advancements, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

22. General Notices . All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) when transmitted by facsimile and receipt is acknowledged during normal business hours, and if not, the next business day after transmission, or (c) if mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(i) If to Indemnitee, to:

[•]

(ii) If to the Company, to:

Bravo Brio Restaurant Group, Inc.
777 Goodale Boulevard, Suite 100
Columbus, Ohio 43212
Attn: James J. O'Connor
Facsimile: (614) 326-7943

or to such other address as may have been furnished in the same manner by any party to the others.

23. Governing Law; Consent to Jurisdiction; Service of Process . This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio without regard to its rules of conflict of laws. Each of the Company and the Indemnitee hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of any Designated Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in any Designated Court and agrees not to plead or claim in any Designated Court that such litigation brought therein has been brought in an inconvenient forum. Each of the parties hereto agrees, (a) to the extent such party is not otherwise subject to service of process in the State of Ohio, to appoint and maintain an agent in the State of Ohio as such party's agent for acceptance of legal process, and (b) that service of process may also be made on such party by prepaid certified mail with a proof of mailing receipt validated by the United States Postal Service constituting evidence of valid service. Service made pursuant to (a) or (b) above shall have the same legal force and effect as if served upon such party personally within the State of Ohio. For purposes of implementing the parties' agreement to appoint and maintain an agent for service of process in the State of Ohio, the Indemnitee hereby appoints [ ], as such agent and each such party hereby agrees to complete all actions necessary for such appointment.

24. Joinders . Subsidiaries of the Company may from time to time join this Agreement by signing below. The Company and all Subsidiaries that have joined this Agreement shall be jointly and severally liable for all obligations of the Company under this Agreement.

[The remainder of this page is intentionally blank]

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

BRAVO BRIO RESTAURANT GROUP, INC.

By: ______________________________
Name: James J. O'Connor
Title: Chief Financial Officer

INDEMNITEE

____
Name:

[Signature Page to Indemnification Agreement]

JOINDERS

The undersigned hereby join in the obligations of Bravo Brio Restaurant Group, Inc. under this Indemnification Agreement as provided in Section 24 above on this day of , 20[ ].

[ ]

By: ____________________________
Name:
Title:

[ ]

By: ____________________________
Name:
Title:

[ ]

By: ____________________________
Name:
Title:

[ ]

By: ____________________________
Name:
Title:

[Signature Page to Indemnification Agreement]

Exhibit 12.1

BRAVO BRIO RESTAURANT GROUP, INC.
EARNINGS TO FIXED CHARGES
(in thousands, except ratios)

	December 30,	December 25,	Year-ended December 26,	December 27,	December 28,
Computation of Earnings:	2012	2011	2010	2009	2008
Net income (loss) before income taxes	$ 21,800	$ 19,756	$ (1,002)	$ 3,536	$ (6,338)
Add					
Gross Interest Expense	977	1,336	6,131	7,573	10,842
Capitalized Interest	—	—	(70)	(454)	(950)
40% of Minimum Rent	6,981	5,816	5,491	4,556	4,247
Earnings as Adjusted	29,758	26,908	10,550	15,211	7,801
Computation of Fixed Charges:					
Gross Interest Expense	977	1,336	6,131	7,573	10,842
40% of Minimum Rent	6,981	5,816	5,491	4,556	4,247
Fixed charges	7,958	7,152	11,622	12,129	15,089
Ratios of Earnings to Fixed Charges	3.74	3.76	0.91	1.25	0.52

Exhibit 21.1

Subsidiaries of Bravo Brio Restaurant Group, Inc.

Entity	Jurisdiction
Brio Tuscan Grille of Maryland, Inc.	MD
Cherry Hill Two, LLC	NJ
Bravo Development of Kansas, Inc.	KS
Brio Tuscan Grille of Baltimore, LLC	MD
Brio Tuscan Grille of Bethesda, LLC	MD
Brio Marlton, LLC	DE
Brio Freehold, LLC	DE
Brio Tuscan Grille of Cherokee, LLC	DE

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-170223 and No. 333-170224 on Form S-8 of our reports dated March 5, 2013, relating to the financial statements of Bravo Brio Restaurant Group, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 30, 2012.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
March 5, 2013

Exhibit 31.1

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Saed Mohseni, certify that:

1. I have reviewed this annual report on Form 10-K of Bravo Brio Restaurant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 5, 2013

/s/ Saed Mohseni
Saed Mohseni
President and Chief Executive Officer
(*Principal Executive Officer*)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, James J. O’Connor, certify that:

1. I have reviewed this annual report on Form 10-K of Bravo Brio Restaurant Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 5, 2013

/s/ James J. O’Connor
James J. O’Connor
Chief Financial Officer, Treasurer and Secretary
(*Principal Financial and Accounting Officer*)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Bravo Brio Restaurant Group, Inc. (the "Company") for the period ended December 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Saed Mohseni, President and Chief Executive Officer of the Company, and James J. O'Connor, Chief Financial Officer, Treasurer and Secretary of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: March 5, 2013	/s/ Saed Mohseni
	Saed Mohseni President and Chief Executive Officer (*Principal Executive Officer)*
Dated: March 5, 2013	/s/ James J. O'Connor
	James J. O'Connor Chief Financial Officer, Treasurer and Secretary (*Principal Financial and Accounting Officer)*