Bravo Brio Restaurant Group, Inc.
Form 10-K
March 06, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 28, 2014

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 Select Market

Securities registered pursuant to Section 12(g) of the Act:
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ NO ý
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 ý
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 ý 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 ý 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. ý
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 x	Non-accelerated filer ¨	Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

As of June 29, 2014 (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 $305.6 million based on the number of shares held as of June 29, 2014, and the last reported sale price of the registrant's common shares as of June 29, 2014.

As of March 6, 2015, the latest practicable date, 15,161,448 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 5, 2015.

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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,” 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;
- future asset impairment charges;
- changes in attitudes or negative publicity regarding food safety and health concerns;
- potential fluctuations in our quarterly operating results due to new restaurant openings and other factors;
- 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, and the potential impact of litigation, 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 success of our marketing programs;
- our inability to obtain adequate levels of insurance coverage;
- the impact of our indebtedness;
- the effect on existing restaurants of opening new restaurants in the same markets;
- 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 “2014,” “fiscal 2014,” “fiscal year 2014” or similar references refer to the fiscal year ended December 28, 2014, which was a 52 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. As of December 28, 2014, we operated 111 restaurants in 33 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 2014 was $21.20 per guest with an average lunch check of $16.39 per guest and an average dinner check of $24.25 per guest. At BRAVO! in 2014, lunch and dinner represented 30% and 70% of revenues, respectively, and alcohol sales accounted for approximately 18% of restaurant sales. Our average annual revenues per comparable BRAVO! restaurant were $3.2 million in fiscal 2014. As of December 28, 2014, we owned and operated 49 BRAVO! restaurants in 21 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 2014 was $24.93 per guest, with an average lunch check of $19.02 per guest and an average dinner check of $29.13 per guest. At BRIO in 2014, lunch and dinner represented 32% and 68% of revenues, respectively, and alcohol sales accounted for approximately 22% of restaurant sales. Our average annual revenues per comparable BRIO restaurant were $4.3 million in fiscal 2014. As of December 28, 2014, we operated 62 BRIO restaurants in 22 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 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 annual report.

Real Estate

As of December 28, 2014, we leased 106 operating locations, owned four locations and operated one location under a management agreement, of which 97 are located adjacent to or in lifestyle centers and/or shopping malls and 14 are free-

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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 complementary to national retailers, having attracted on average between approximately 2,600-4,200 guests per restaurant each week in fiscal 2014. 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 attractive returns on our investment and drive positive 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 report to regional Vice Presidents. The regional Vice Presidents report to our President and 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 his or her respective geographic areas, and is in frequent contact

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with each location. We additionally have two Corporate Executive Chefs, one for each brand. 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 eight 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 eight 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 eight 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 server assistants 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 trained in the specific flavors of each dish. Using an 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 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 ("DMA"), a cooperative of multiple food distributors located throughout the nation, 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 2014, we consolidated all of our restaurants under the DMA arrangement and the consolidated distributors supplied us with approximately 70% of our food supplies. We utilize Gordon Food Service ("GFS"), Ben E. Keith Company ("BEK"), Shamrock Foods ("Shamrock") and Nicholas & Company ("Nicholas") under the DMA arrangement. At the end of fiscal 2014, GFS, BEK, Shamrock, and Nicholas distributed approximately 81%, 10%, 5% and 4%, respectively, of the food supplies distributed through our DMA arrangement. We negotiate pricing and volume terms either directly with certain of our suppliers and distributors or through DMA. Currently, we have pricing agreements 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 the distributors 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 employees 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 primarily college-educated professionals, ages 35-65, and their families who dine out frequently for social or special occasions. Our marketing strategy is designed to create brand awareness, reinforce our made-to-order, chef-inspired menu and develop ongoing relationships with these guests, to increase dining frequency and drive comparable restaurant sales growth.

Local Restaurant Marketing

We seek to be active members of our communities through strategic partnerships with local businesses, schools, churches, hotels, chambers of commerce and non-profit agencies. We invest a portion of our marketing budget on neighborhood marketing that enhances brand awareness and competitor proof relationships which in turn create brand advocates. Our restaurant managers work closely with our marketing team and district partners to customize turnkey programs that are specific to each market. Implementation of each program is managed by our store-level operations team.

Advertising

Our goal is to create relevant and compelling programs designed to attract new guests while also increasing core guest frequency. For each key marketing promotion, we create a fully integrated campaign which typically consists of in-store merchandising, e-mail messaging, social media, public relations, digital and/or traditional media and local store marketing support.

A portion of our marketing budget is spent on point-of-sale materials which effectively communicate key brand initiatives to guests while they are dining in our restaurants. These programs include add-on sales and value initiatives, seasonal menu changes, holiday promotions, limited time offers, bar promotions, private party and banquet offerings.

We also spend a portion of our marketing budget on traditional and digital media, including print, radio, television, direct mail and outdoor, to increase awareness and interest in our concepts.

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, blogger outreach 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

One of our goals is to give guests every opportunity to engage with us, so we’ve made it a priority to make ourselves accessible to them on the internet, e-mail and mobile applications via computers, tablets and mobile phones. We are active on a variety of communications channels, including social media (Facebook, Twitter, Instagram, Pinterest) and our MyBravo Mail and MyBrio Mail E-Clubs. Each channel serves a unique purpose and allows us to reach a significant number of people in a

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timely and targeted fashion at a fraction of the cost of traditional media. We will continue to allocate a portion of our marketing budget toward this rapidly growing area.

Rewards Program

In the fourth quarter of 2014, both brands offered a new benefit in order to boost core guest frequency. For every five (5) visits, members earn a reward to redeem on their next visit. The reward programs, called “MyBRAVO Rewards” and “MyBRIO Rewards", were designed to reward guests for their continuous dining at our restaurants. Guests can download a MyBRAVO/MyBRIO! Rewards mobile application, register their cards at BRAVO! and BRIO locations or online at www.myBRAVOReward.com or www.myBRIOReward.com. Guests who join receive exclusive offers loaded onto their account, special event information and other announcements via e-mail throughout the year.

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 eight 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 under the umbrella 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 of 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.

Additionally, we have designed our Assistant General Manager and Executive Sous Chef programs to identify and develop our future General Managers and Executive Chefs from within our current employee base. This program not only reduces the cost of searching and training for these positions, it also provides a specific career path which we can market and promote within our current management teams.

Management Information Systems

Restaurant level financial and accounting controls are handled through a 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. 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 utilize 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 ERP system and a data warehouse. This data provides visibility that allows us to better analyze the business.

We continue to leverage our internal website called PASTAnet, which provides us with the ability to collaborate, communicate, train and share information between the restaurants and our corporate office.

Both BRAVO and BRIO have mobile applications in both the Apple and Google app stores. These mobile applications allow our guests to view our menus, find a location and get directions. We also have Online Ordering for both BRAVO! and BRIO restaurants. Guests can order online for both BRAVO! and BRIO via our mobile applications or websites. We also continue to support the wireless access points in all of our restaurants to provide our guests wireless internet services.

In the fourth quarter of 2014, we implemented an on-line reservation system at both brands that provides our guests the means to easily gain access to available tables in our restaurants.

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 2014, approximately 20% 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 serving 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. The national health care reform legislation enacted on March 23, 2010, the Patient Protection and Affordable Care Act (the “PPACA”), has increased our health care benefit costs. The requirement that we provide health insurance benefits to staff members 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 eight separate registrations in connection with restaurant service from the United States Patent and Trademark Office for the following trademarks: Bravo Brio Restaurant Group®, 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.

Seasonality

Our business is highly sensitive to seasonal fluctuations as, historically, the percentage of operating income earned during the fourth quarter has been higher due in part to higher restaurant sales during the year-end holiday season.

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.

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Employees

As of December 28, 2014, we had approximately 11,000 employees of whom approximately 100 were corporate management and staff personnel, approximately 700 were restaurant managers or trainees, and approximately 10,200 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 in the investor's section, 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 annual 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 28, 2014, we operated 49 BRAVO! restaurants and 62 BRIO restaurants, of which three BRAVO! restaurant and three BRIO restaurants were opened within the preceding twelve months. 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, which may cause them to not 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 property, liability and workers' compensation);
- information technology and other logistical costs; and

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- 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 2010, we have expanded from 45 BRAVO! restaurants and 36 BRIO restaurants to 49 BRAVO! restaurants and 62 BRIO restaurants, as of December 28, 2014. 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 impacted consumers’ ability and willingness to spend discretionary dollars. Economic conditions may remain volatile and may repress consumer confidence and discretionary spending for the near term. 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. 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. We closed 3 restaurants during 2014.

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

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erodes consumer affinity for our brands could significantly reduce their respective value 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.
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, Pennsylvania and Texas, which comprise approximately 49% 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 28% of our total restaurants are located in Ohio, Michigan and Pennsylvania, which are particularly susceptible to snowfall, and 15% 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. 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.

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 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 some of our soups and 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 agreements 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 risks and associated liabilities, up to a stop loss amount, 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. A recent trend in shopping malls and lifestyle centers has been to convert retail spaces into new restaurant locations further increasing competition for guests at a specific center. In addition, with improving product offerings at fast casual restaurants, quick-service restaurants and grocery stores and the influence of other factors, consumers may choose less expensive alternatives, which could also negatively affect guest traffic at our restaurants.

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. We have determined that our asset group for impairment testing is comprised of the assets and liabilities of each of our individual restaurants, as this is the lowest level of identifiable cash flows and primarily includes an assessment of historical cash flows and other relevant factors and circumstances.

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. We regularly review any restaurant that is cash flow negative for the previous four quarters to determine if impairment testing is warranted. As part of the review we also take into account that our business is highly sensitive to seasonal fluctuations, including the holiday season at the end of the fourth quarter as it significantly impacts our short and long term projections for each location. These estimates may 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 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 estimated 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 did not incur an asset impairment charge in 2014. We did incur an asset impairment charge of approximately $14.2 million in fiscal 2013 related to five restaurants and an asset impairment charge of approximately $4.1 million in fiscal 2012 related to two 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 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 Food and Drug Administration (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.

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.

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 Chief Executive Officer; James J. O'Connor, our Chief Financial Officer, Treasurer and Secretary; and Brian O'Malley, our President and Chief Operating Officer, as well as certain other key personnel. We currently have employment agreements in place with Mr. Mohseni, Mr. O'Connor and Mr. O'Malley. The loss of the services of our CEO, CFO, President and COO 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 three BRAVO! and three BRIO restaurants in 2014, one BRAVO! and seven BRIO restaurants in 2013, and one BRAVO! and nine BRIO restaurants in 2012. 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.

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 2012 class action lawsuit initiated by tipped employees at a BRAVO! location in Des Moines, Iowa. In this lawsuit, it was alleged that we were in violation of the Fair Standards Act for some of our employees at that location. 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 policies 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 marketing programs may not be successful.

We expend significant resources in our marketing efforts, including our loyalty programs, using a variety of media, including social media venues and applications. 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.

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 2015 and beyond. These increases, as well as recently-enacted federal legislation requiring employers to provide specified levels of health insurance to employees averaging greater than 30 hours per week, 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.

On November 5, 2014, the Company entered into a new credit agreement (the "2014 Credit Agreement") with a syndicate of financial institutions. The Company used borrowings under the 2014 Credit Agreement to repay in full the balances due under its former credit agreement, dated October 26, 2010, and subsequently terminated that agreement. As of December 28, 2014, we had approximately $56.0 million of outstanding indebtedness under our revolving credit facility. As of December 28, 2014, we had $41.6 million of revolving loan availability under our revolving credit facility (after giving effect to $2.4 million of outstanding letters of credit). For the year ended December 28, 2014, our total borrowings, repayments on indebtedness and cash interest payments were $169.8 million, $129.5 million and $0.6 million, respectively. For the year ended December 29, 2013, we had no new borrowings, our total repayments on indebtedness and cash interest payments were $7.4 million and $0.8 million, respectively. Our revolving credit facility matures in 2019, and borrowings under the revolving credit facility bear interest at our option of either (i) the Base Rate (as such term is defined in the 2014 Credit Agreement) plus the applicable margin of 0.50% to 1.50% 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 1.50% to 2.50%.

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

- requires us to utilize a portion of our cash flow from operations for 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;
- makes us more vulnerable to increases in interest rates, as borrowings under our revolving credit facility 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 revolving credit facility contains 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 revolving credit facility requires 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 revolving credit facility. In the event of any default, the lenders under our revolving credit facility 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, 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 revolving credit facility, 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 revolving credit facility 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.

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.

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 a number of our trademarks. Third parties may 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 restaurants, 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 restaurants, 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 rebrand our restaurants, 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 to 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 have significant cost obligations as a result of being a public 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 SEC and the Nasdaq Stock 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 2014, 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 United States. 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;
- changes in 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;

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- 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 28, 2014, we had 20,177,174 common shares issued, and 5,083,281 treasury shares repurchased through the end of 2014. In addition, we have reserved 1.9 million common shares for issuance under the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan, of which 294,749 shares are subject to vesting under outstanding restricted stock awards and 1,251,622 shares remain eligible for future issuance. Stock options to purchase an aggregate of 840,658 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 28, 2014 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 revolving credit facility 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 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 28, 2014.

Location	Bravo Restaurants	Brio Restaurants	Total Number of Restaurants
Alabama	—	1	1
Arizona	—	2	2
Arkansas	1	—	1
California	—	2	2
Colorado	—	2	2
Connecticut	—	2	2
Delaware	—	1	1
Florida	3	13	16
Georgia	—	2	2
Illinois	2	1	3
Indiana	2	—	2
Iowa	1	—	1
Kansas	1	—	1
Kentucky	1	1	2
Louisiana	1	—	1
Maryland	—	3	3
Massachusetts	—	1	1
Michigan	5	2	7
Missouri	2	2	4
Nebraska	1	—	1
Nevada	—	2	2
New Jersey	—	5	5
New Mexico	1	—	1
New York	1	1	2
North Carolina	3	3 *	6 *
Ohio	11	6	17
Oklahoma	1	—	1
Pennsylvania	7	—	7
Tennessee	1	—	1
Texas	1	6	7
Utah	—	2	2
Virginia	2	2	4
Wisconsin	1	—	1
Total	49	62	111

* 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 106 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 2016 and 2031. 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, insurance, 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 6, 2015, 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 may be noted in Part IV, Item 15, note 12, of this annual report.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

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

Our common shares have been traded on the NASDAQ Stock 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 Stock Market:

	High	Low
Fiscal 2014 Quarter Ended		
March 30, 2014	$16.44	$14.05
June 29, 2014	$16.12	$14.11
September 28, 2014	$16.23	$13.31
December 28, 2014	$14.44	$12.62
Fiscal 2013 Quarter Ended		
March 31, 2013	$16.12	$13.18
June 30, 2013	$19.01	$15.37
September 29, 2013	$18.36	$14.95
December 29, 2013	$16.94	$14.61

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 revolving credit facility. See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources."

Holders

There were 13 holders of record of our common shares at March 6, 2015, and we estimate there were 2,900 beneficial shareholders on that date.

Share-Based Compensation Plan Information

See Part III, Item 12, for information relating to securities authorized for issuance under the Company's equity compensation plans.

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 Stock Market, through and including the market close on December 28, 2014, 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	12/25/2011	12/30/2012	12/29/2013	12/28/2014
Bravo Brio Restaurant Group, Inc.	$100.00	$129.03	$109.86	$90.90	$115.24	$89.79
NASDAQ Composite® (US) Index	$100.00	$107.89	$105.99	$119.82	$168.23	$194.56
Nation's Restaurant News Stock Index	$100.00	$104.84	$131.27	$130.83	$170.00	$174.39

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 2014.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to purchases of common shares made during the quarter ended December 28, 2014 by or on behalf of the Company or any "affiliated purchaser" as defined by Rule 10b5-1 of the Exchange Act of 1934, as amended.

Bravo Brio Restaurant Group Accounting Periods	Total Number of Shares Purchased	Average Price Paid Per Share (3)	Total Number of Shares Purchased as Part of the Publicly Announced Plans	Increase in Dollars for Share Repurchase Authorization (1)	Approximate Dollar Value of Shares the May Yet Be Purchased Under the Plans or Programs (2)
9/29/2014-10/26/2014	—	$—	—		$4,900,201
10/27/2014-11/23/2014	—	—	—		$4,900,201
11/24/2014-12/28/2014	3,571,431	14.00	3,571,431	$50,000,000	$—
Total for the Quarter	3,571,431	$14.00	3,571,431		

(1) On November 12, 2014, the Company commenced a modified "Dutch auction" tender offer to repurchase its common shares for an aggregate purchase price of up to $50.0 million. On December 10, 2014, the tender offer expired and on December 17, 2014, the Company repurchased 3.6 million shares for an aggregate purchase price of $50.0 million. The Company incurred costs of $0.6 million in connection with the tender offer.

(2) On October 23, 2013, the Board of Directors authorized a 10b-18 plan whereby the Company was authorized to make up to $20 million in share repurchases prior to the plan's expiration on December 28, 2014. There were no purchases made pursuant to this plan during the thirteen weeks ended December 28, 2014.

(3) The purchase price for the 3.6 million shares repurchased in the tender offer that commenced on November 12, 2014 was $14.00 per share. The Company incurred costs of $0.6 million in connection with the tender offer, which were recorded to treasury shares, resulting in an effective aggregate purchase price of approximately $14.18 per share.

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 annual report. The selected historical consolidated financial data as of December 28, 2014 and December 29, 2013 and for the three years in the period ended December 28, 2014 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected historical consolidated financial data as of December 30, 2012, December 25, 2011 and December 26, 2010 and for the two years in the period ended December 25, 2011 have been derived from our audited consolidated financial statements not included elsewhere in this annual report.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

(Dollars in thousands except per share data)

	Fiscal Year(1)				
	2014	2013	2012	2011	2010
Statement of Operations Data					
Revenues	$408,309	$411,091	$409,065	$369,245	$343,025
Costs and Expenses					
Cost of sales	107,078	105,628	106,716	98,175	89,456
Labor	144,848	143,097	139,917	124,352	114,468
Operating	65,851	64,970	62,016	56,578	53,331
Occupancy	29,013	28,506	26,088	23,424	22,729
General and administrative expenses	22,575	22,697	23,684	21,234	37,539
Restaurant pre-opening costs	3,204	3,560	4,492	4,803	2,375
Asset impairment charges	—	14,196	4,060	2,229	—
Depreciation and amortization	20,288	20,019	18,939	16,983	16,708
Total costs and expenses	392,857	402,673	385,912	347,778	336,606
Income from operations	15,452	8,418	23,153	21,467	6,419
Loss on extinguishment of debt	—	—	—	—	1,300
Interest expense, net	1,347	1,143	1,353	1,711	6,121
Income (loss) before income tax expense	14,105	7,275	21,800	19,756	(1,002)
Income tax expense (benefit)(2)	2,283	(268)	5,652	(56,688)	228
Net income (loss)	11,822	7,543	16,148	76,444	(1,230)
Undeclared preferred dividends- net of adjustments(3)	—	—	—	—	(3,769)
Net income (loss) attributed to common shareholders	$11,822	$7,543	$16,148	$76,444	$(4,999)
Per Share Data					
Net income (loss) attributed to common shareholders —					
Basic	$0.63	$0.39	$0.82	$3.96	$(0.54)
Diluted	$0.60	$0.37	$0.78	$3.72	$(0.54)
Weighted average shares outstanding —					
Basic	18,863	19,542	19,584	19,322	9,281
Diluted	19,701	20,432	20,612	20,550	9,281

Balance Sheet Data (at the end of the period)

Cash and cash equivalents	$427	$7,640	$13,717	$10,093	$2,460
Working capital (deficit)	(41,801)	(26,204)	(25,806)	(26,280)	(35,334)
Total assets	251,763	254,852	263,338	247,626	163,453
Total debt	56,000	15,693	23,086	32,571	41,000
Total shareholders’ equity	53,784	103,776	100,283	84,584	6,403

(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 was a 53-week year, each of the above fiscal years had 52 weeks.

(2) During fiscal 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 was recorded as such on the Consolidated Statements of Operations for fiscal 2010.

Non-GAAP Measures

As adjusted net income and as adjusted net income 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 non-comparable items that are reflected in our GAAP results. We believe these adjusted measures provide additional information to facilitate the comparison of our past and present financial results and assist users of the financial statements to better understand our results. We utilize results that both include and exclude the identified items in evaluating our 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.

The following is a reconciliation from net income and net income per share to the corresponding adjusted measures (dollars in thousands, except per share data):

	Fiscal Year	
	2014	2013
Net income	$11,822	$7,543
Impact from:		
Asset Impairment Charges, net of taxes (1)	—	8,802
Write-off of unamortized loan origination fees, net of tax (2)	$316	—
As adjusted net income	$12,138	$16,345

	Basic		Diluted	
	2014	2013	2014	2013
Net income per share	$0.63	$0.39	$0.60	$0.37
Impact from:				
Asset Impairment Charges, net of taxes (1)	—	0.45	—	0.43
Write-off of unamortized loan origination fees (2)	0.02	—	0.02	—
As adjusted net income per share	$0.65	$0.84	$0.62	$0.80

1) Reflects non-cash asset impairment charges, net of tax, in fiscal 2013 for five restaurants.

2) Reflects non-cash write off of unamortized loan origination fees, net of tax, in fiscal 2014 related to the termination of the credit agreement dated October 26, 2010 on November 5, 2014.

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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 annual 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 annual report.

Overview

We are a leading owner and operator of two distinct Italian restaurant brands, BRAVO! Cucina Italiana ("BRAVO!") and BRIO Tuscan Grille ("BRIO"), which for purposes of the following discussion includes our one Bon Vie restaurant. 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 approach to operations continues to focus on core ways to drive and grow our business. We look for new and different ways to increase our comparable sales through various initiatives. We are constantly identifying new potential sites to expand both of our brands by opening new restaurants in the best possible locations within a development and throughout the country. We will continue to evaluate our existing restaurant base to ensure each location is meeting our standards from both an operational and profitability standpoint. Finally, we explore all of our options for deploying our capital in a way that is best for our shareholders and our business.

Our business is highly sensitive to seasonal fluctuations as historically the percentage of operating income earned during the fourth quarter has been higher due, in part, to higher restaurant sales during the year-end holiday season. Our business is also highly sensitive to changes in guest traffic and the operating environment continues to be difficult with negative comparable store sales, driven by negative guest traffic, in each quarter of 2013 and 2014. 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 for 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. 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. Additionally, we continue to promote our light menu to attract guests looking for healthier options in their dining experience.

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 restaurant sales reflect changes in guest count trends as well as changes in average check.
- Average Check. Average check is calculated by dividing restaurant 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 revenues within a period by the number of weeks in 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. Revenues also include management fees earned and gift card breakage.

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 the 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, the seasonality of our business 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.

Results of Operations

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

	Fiscal Year Ended December 28, 2014	% of Revenue		December 29, 2013	% of Revenue		December 30, 2012	% of Revenue	
	(Dollars in thousands)								
Revenues	$408,309	100	%	$411,091	100	%	$409,065	100	%
Costs and Expenses									
Cost of sales	107,078	26.2	%	105,628	25.7	%	106,716	26.1	%
Labor	144,848	35.5	%	143,097	34.8	%	139,917	34.2	%
Operating	65,851	16.1	%	64,970	15.8	%	62,016	15.2	%
Occupancy	29,013	7.1	%	28,506	6.9	%	26,088	6.4	%
General and administrative expenses	22,575	5.5	%	22,697	5.5	%	23,684	5.8	%
Restaurant pre-opening costs	3,204	0.8	%	3,560	0.9	%	4,492	1.1	%
Asset impairment charges	—	—	%	14,196	3.5	%	4,060	1.0	%
Depreciation and amortization	20,288	5.0	%	20,019	4.9	%	18,939	4.6	%
Total costs and expenses	392,857	96.2	%	402,673	98.0	%	385,912	94.3	%
Income from operations	15,452	3.8	%	8,418	2.0	%	23,153	5.7	%
Interest expense, net	1,347	0.3	%	1,143	0.3	%	1,353	0.3	%
Income before income taxes	14,105	3.5	%	7,275	1.8	%	21,800	5.3	%
Income tax expense (benefit)	2,283	0.6	%	(268)	(0.1	)%	5,652	1.4	%
Net income	$11,822	2.9	%	$7,543	1.8	%	$16,148	3.9	%

Certain percentage amounts may not sum due to rounding.

Fifty-Two Weeks Ended December 28, 2014 Compared to Fifty-Two Weeks Ended December 29, 2013

Revenues. Revenues decreased $2.8 million, or 0.7%, to $408.3 million in fiscal 2014, compared to $411.1 million in fiscal 2013. Comparable sales for 2014 decreased 5.0% as compared to the prior year due to a 6.0% decrease in guest counts partially offset by a 1.0% increase in average check. Partially offsetting the decrease in comparable restaurant sales was a net additional 179 operating weeks provided by eight Company owned restaurants opened in 2013 and six restaurants opened in 2014, less the operating weeks of three restaurant closures in both 2014 and 2013. We consider a restaurant to be part of the comparative restaurant base in the first full quarter following the eighteenth month of operations.

For our BRAVO! brand, restaurant revenues decreased $7.3 million, or 4.6%, to $151.7 million in fiscal 2014 as compared to $159.0 million in fiscal 2013. The decrease in revenues was primarily due to a decrease in comparable sales. Comparable sales for the BRAVO! brand restaurants decreased 5.5%, or $8.4 million, to $144.5 million in fiscal 2014 due to a decrease in guest counts partially offset by an increase in average check. Revenues for BRAVO! brand restaurants not included in the comparable restaurant base increased $1.1 million to $7.2 million in fiscal 2014 due to the growth in our restaurant base. At December 28, 2014, there were 45 BRAVO! restaurants included in the comparable restaurant base and four BRAVO! restaurants not included in the comparable restaurant base.

For our BRIO brand, restaurant revenues increased $4.0 million, or 1.6%, to $254.9 million in fiscal 2014 as compared to $250.9 million in fiscal 2013. The increase in revenues was due to additional operating weeks provided by new restaurant openings in 2014 and 2013, partially offset by a decrease in comparable sales. Comparable sales for the BRIO brand restaurants decreased 4.6%, or $10.6 million, to $219.6 million in fiscal 2014, due to a decrease in comparable guest counts and average check. Revenues for BRIO brand restaurants not included in the comparable restaurant base increased $14.6 million to $35.3 million in fiscal 2014 due to the growth in our restaurant base. At December 28, 2014, there were 53 BRIO restaurants included in the comparable restaurant base and eight BRIO restaurants not included in the comparable restaurant base.

Cost of Sales. Cost of sales increased $1.5 million, or 1.4%, to $107.1 million in fiscal 2014, from $105.6 million in fiscal 2013. The increase was primarily due to a commodity cost increase of 3.5% in 2014, partially offset by a decrease in revenues. As a percentage of revenues, cost of sales increased 0.5% to 26.2% in 2014 as compared to 25.7% in 2013, due to commodity cost increases primarily for dairy, produce and seafood products, partially offset by the impact of a menu price increase. Food costs increased 0.7% as a percentage of revenues and increased by $2.0 million in total dollars for 2014 as compared to 2013. Beverage costs decreased 0.1% as a percentage of revenues and decreased in total dollars by $0.5 million in 2014 as compared to 2013.

Labor Costs. Labor costs increased $1.7 million, or 1.2%, to $144.8 million in fiscal 2014, from $143.1 million in fiscal 2013. As a percentage of revenues, labor costs increased to 35.5% in 2014, from 34.8% in 2013, primarily due to the deleveraging resulting from the decrease in our comparable revenues as well as increased workers' compensation expenses.

Operating Costs. Operating costs increased $0.9 million, or 1.4%, to $65.9 million in 2014, from $65.0 million in 2013. This increase was driven by a net additional 179 operating weeks due to restaurant openings in 2014 and 2013 and increases in utilities and general liability insurance expense. As a percentage of revenues, operating costs increased to 16.1% in 2014, from 15.8% in 2013. The increase as a percentage of revenues was primarily due to increases in utilities and insurance expense, as well as the deleveraging related to the decrease in comparable restaurant sales.

Occupancy Costs. Occupancy costs increased $0.5 million, or 1.8%, to $29.0 million in fiscal 2014, from $28.5 million in fiscal 2013. The increase in occupancy costs in total dollars was primarily due to the additional restaurants opened in 2014 and 2013, partially offset by the net effect of restaurant closures resulting in the accelerated recognition of deferred lease incentives that exceeded restaurant closure costs. As a percentage of revenues, occupancy costs increased to 7.1% in 2014, from 6.9% in 2013. The increase as a percentage of revenues was primarily related to deleveraging due to the decrease in comparable restaurant sales.

General and Administrative. General and administrative expenses decreased $0.1 million, or 0.5%, to $22.6 million in fiscal 2014, from $22.7 million in fiscal 2013. The decrease in general and administrative expenses was attributable to lower travel, stock compensation costs, and corporate bonus as compared to the prior period. As a percentage of revenues, general and administrative expenses remained flat at 5.5% in 2014 as compared to 2013.

Restaurant Pre-opening Costs. Pre-opening costs decreased by $0.4 million to $3.2 million in 2014, from $3.6 million in 2013. The decrease in pre-opening costs was due to the impact of opening six new restaurants and four additional restaurants under construction at the end of 2014 compared to eight new restaurants opened and no additional restaurants under construction at the end of 2013. Pre-opening costs are incurred prior to a restaurant opening and may be incurred into 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 0.8% in 2014, from 0.9% in 2013.

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. Our impairment charges have occurred as a result of locations that have had lower than anticipated traffic near the restaurant and locations that have opened in areas with lower than normal retail co-tenancy. Based upon our analysis, we did not incur a non-cash impairment charge in 2014. We did incur a non-cash charge of $14.2 million in 2013 related to the impairment of five restaurants.

Depreciation and Amortization. Depreciation and amortization expenses increased by approximately $0.3 million, or 1.3%, to $20.3 million in fiscal 2014, from $20.0 million in fiscal 2013. The increase in costs in 2014 was primarily due to depreciation related to the growth of our restaurant base in 2014 and 2013. As a percentage of revenues, depreciation and amortization expenses increased to 5.0% in 2014 as compared to 4.9% in 2013.

Interest Expense, Net. Interest expense, net increased approximately $0.2 million, or 17.8%, to $1.3 million in 2014, from $1.1 million in 2013. The increase was primarily due to the write-off of unamortized loan origination fees resulting from the termination of the 2010 Credit Agreement.

Income Taxes. Income taxes expense increased $2.6 million to $2.3 million, or 16.2% of income before income taxes, in 2014, as compared to an income tax benefit of $0.3 million, or (3.7%) of income before income taxes, in 2013. The increase in income tax expense was a result of an increase in income before income taxes which was mainly driven by

the impact of the impairment charges in 2013, partially offset by the decrease in comparable restaurant sales.
Non-GAAP Net Income. As adjusted net income is a supplemental measure of our performance that is not required or presented in accordance with GAAP. We calculate this non-GAAP measure by adjusting net income for the impact of certain

non-comparable items that are reflected in our GAAP results. As adjusted net income for fiscal 2014 and 2013 was $12.1 million and $16.3 million, respectively. This decrease was primarily the result of an increase in costs and expenses from operations in excess of the growth in revenues in 2014 as compared to 2013. A full reconciliation from GAAP net income to as adjusted net income for fiscal 2014 and fiscal 2013 can be found at Part II, Item 6 of this annual report, “Selected Financial Data”.

Fifty-Two Weeks Ended December 29, 2013 Compared to Fifty-Three Weeks Ended December 30, 2012

Revenues. Revenues increased $2.0 million, or 0.5%, to $411.1 million in fiscal 2013, compared to $409.1 million in fiscal 2012. This increase was driven by additional revenues related primarily to an additional 301 operating weeks provided by new restaurants opened in 2013 and 2012 offset by revenues incurred in the non comparable week in fiscal 2012, the impact of the three restaurant closures in 2013 and a decrease in comparable restaurant sales. Adjusting for the non comparable week in 2012, comparable restaurant sales for 2013 decreased 2.8% as compared to the prior year due to a 3.6% decrease in guest counts partially offset by a 0.8% 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 decreased $6.9 million, or 4.2%, to $159.0 million in fiscal 2013 as compared to $165.9 million in fiscal 2012. The decrease was due to revenues incurred in the non comparable week in 2012 as well as a decrease in comparable sales. Adjusting for the non comparable week in 2012, comparable sales for the BRAVO! brand restaurants decreased 2.0%, or $3.1 million, to $151.8 million in fiscal 2013 due to a decrease in guest counts partially offset by an increase in average check. Revenues for BRAVO! brand restaurants not included in the comparable restaurant base decreased $0.1 million to $7.2 million in fiscal 2013. At December 29, 2013, there were 45 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 $8.5 million, or 3.5%, to $250.9 million in fiscal 2013 as compared to $242.4 million in fiscal 2012. The increase in revenues was due to additional operating weeks provided by new restaurant openings in 2013 and 2012, partially offset by revenues incurred in the non comparable week in 2012 and a decrease in comparable sales. Adjusting for the non comparable week in 2012, comparable sales for the BRIO brand restaurants decreased 3.4%, or $7.2 million, to $205.8 million in fiscal 2013, due to a decrease in average check and a decrease in comparable guest counts. Revenues for BRIO brand restaurants not included in the comparable restaurant base increased $21.3 million to $45.1 million in fiscal 2013 due to the growth in our restaurant base. At December 29, 2013, there were 48 BRIO restaurants included in the comparable restaurant base and 12 BRIO restaurants not included in the comparable restaurant base.

Cost of Sales. Cost of sales decreased $1.1 million, or 1.0%, to $105.6 million in fiscal 2013, from $106.7 million in fiscal 2012. The decrease in total dollars was due to the impact of the additional calendar week in 2012, partially offset by a 2.5% increase in commodity costs in 2013. As a percentage of revenues, cost of sales decreased 0.4% to 25.7% in 2013 as compared to 26.1% in 2012, due to the impact of the menu price increase partially offset by commodity cost increases primarily for poultry, produce and seafood products. Food costs decreased 0.3% as a percentage of revenues and decreased by $0.8 million in total dollars for 2013 as compared to 2012. Beverage costs decreased 0.1% as a percentage of revenues and decreased in total dollars by $0.3 million in 2013 as compared to 2012.

Labor Costs. Labor costs increased $3.2 million, or 2.3%, to $143.1 million in fiscal 2013, from $139.9 million in fiscal 2012. This increase was primarily a result of approximately $11.1 million of additional labor and benefits costs incurred as a result of new restaurants opened during 2013 and 2012, partially offset by labor incurred in the additional calendar week in 2012 as well as efficiencies achieved at our comparable locations. As a percentage of revenues, labor costs increased to 34.8% in 2013, from 34.2% in 2012, primarily as a result of inefficiencies at our 2013 and 2012 class of restaurants as well as a lack of sales leverage obtained from the additional calendar week in 2012.

Operating Costs. Operating costs increased $3.0 million, or 4.8%, to $65.0 million in 2013, from $62.0 million in 2012. This increase was driven by an additional 301 operating weeks due to restaurant openings in 2013 and 2012 partially offset by the impact of the additional calendar week in 2012. As a percentage of revenues, operating costs increased to 15.8% in 2013, from 15.2% in 2012. The increase as a percentage of revenues was primarily due to deleveraging related to the decrease in comparable restaurant sales.

Occupancy Costs. Occupancy costs increased $2.4 million, or 9.3%, to $28.5 million in fiscal 2013, from $26.1 million in fiscal 2012. The increase in occupancy costs in total dollars was primarily due to the additional restaurants opened in 2013 and 2012. As a percentage of revenues, occupancy costs increased to 6.9% in 2013, from 6.4% in 2012. The increase as a percentage of revenues was primarily related to deleveraging due to the impact of the additional calendar week in 2012 and the decrease in comparable restaurant sales.

General and Administrative. General and administrative expenses decreased $1.0 million, or 4.2%, to $22.7 million in fiscal 2013, from $23.7 million in fiscal 2012. The decrease was primarily related to additional wages and benefits in 2012 due to the additional calendar week and lower incentive compensation in 2013. As a percentage of revenues, general and administrative expenses decreased to 5.5% in 2013 as compared to 5.8% in 2012.

Restaurant Pre-opening Costs. Pre-opening costs decreased by $0.9 million to $3.6 million in 2013, from $4.5 million in 2012. The decrease in pre-opening costs was due to the impact of opening eight new restaurants and no additional restaurants under construction at the end of 2013 compared to nine new restaurants opened and two additional restaurants under construction at the end of 2012. Pre-opening costs are incurred prior to a restaurant opening and may be incurred into 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 0.9% in 2013, from 1.1% in 2012.

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. Our impairment charges have occurred as a result of locations that have had lower than anticipated traffic near the restaurant and locations that have opened in areas with lower than normal retail co-tenancy. Based upon our analysis, we incurred a non-cash impairment charge in 2013 of $14.2 million related to five restaurants and an impairment charge in 2012 of $4.1 million related to two restaurants.

Depreciation and Amortization. Depreciation and amortization expenses increased approximately $1.1 million, or 5.7%, to $20.0 million in fiscal 2013, from $18.9 million in fiscal 2012. The increase in costs in 2013 was primarily due to depreciation related to the growth of our restaurant base in 2013 and 2012. As a percentage of revenues, depreciation and amortization expenses increased to 4.9% in 2013 as compared to 4.6% in 2012.

Interest Expense, Net. Interest expense, net decreased approximately $0.3 million, or 15.5%, to $1.1 million in 2013, from $1.4 million in 2012. The decrease was due to the pay down of debt incurred under our 2010 Credit Agreement (as hereinafter defined) and the resulting lower average balances in fiscal 2013, as well as the impact of an additional calendar week of interest incurred in 2012.

Income Taxes. Income taxes decreased $5.9 million to an income tax benefit of $0.3 million, or (3.7)% of income before income taxes, in 2013, as compared to income tax expense of $5.7 million, or 25.9% of income before income taxes, in 2012. The decrease in income tax expense was a result of the impact of the increased impairment charges in 2013 in excess of those incurred in 2012.

Liquidity

Our principal sources of cash have been net cash provided by operating activities and borrowings under our revolving credit facility. As of December 28, 2014, we had approximately $0.4 million in cash and cash equivalents and approximately $41.6 million of availability under our revolving credit facility (after giving effect to $2.4 million of outstanding letters of credit at December 28, 2014). 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 revolving credit facility 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 could impact our capacity to borrow money under our revolving credit facility. However, restaurant real estate operating leases are expressly excluded from the restrictions under our revolving credit facility 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 annual report under Part I, Item 1A “Risk Factors.”

The following table presents a summary of our cash flows for the years ended December 28, 2014, December 29, 2013 and December 30, 2012.

	Year Ended December 28, 2014	December 29, 2013	December 30, 2012
	(in thousands)		
Net cash provided by operating activities	$46,908	$37,735	$52,300
Net cash used in investing activities	(29,914)	(29,632)	(36,387)
Net cash used in financing activities	(24,207)	(14,180)	(12,289)
Net decrease in cash and cash equivalents	(7,213)	(6,077)	3,624
Cash and cash equivalents at beginning of year	7,640	13,717	10,093
Cash and cash equivalents at end of year	$427	$7,640	$13,717

Year Ended December 28, 2014 Compared to Year Ended December 29, 2013

Operating Activities. Net cash provided by operating activities was $46.9 million in 2014, compared to $37.7 million in 2013. 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 2014 compared to 2013 was primarily due to an increase in cash receipts in excess of cash expenditures from the prior year. This was primarily due to the repayment of tenant allowances received and timing of rent and construction related payments in 2013 as compared to 2014. Cash receipts in 2014 and 2013, including the net redemption of gift cards, were $408.2 million and $411.8 million, respectively. Cash expenditures during 2014 and 2013 were $369.4 million and $380.4 million, respectively.

Investing Activities. Net cash used in investing activities was $29.9 million in 2014, compared to $29.6 million in 2013. 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 2014 versus 2013. During 2014, we opened six restaurants and had four additional restaurants under construction at year end, while in 2013 we opened eight company owned restaurants and had no additional restaurants under construction at year end.

Financing Activities. Net cash used in financing activities was $24.2 million in 2014, compared to $14.2 million in 2013. In 2014 we repaid $129.5 million in debt related to the termination of the 2010 Credit Agreement and gross repayments under our revolving credit facilities, repurchased $63.6 million in treasury stock, incurred a net $0.5 million cash outflow related to our equity plans and paid $0.4 million in loan origination fees for the 2014 Credit Agreement. Partially offsetting these outflows, we had gross borrowings under our revolving credit facilities of $169.8 million. In 2013 we paid down debt by $7.4 million, repurchased $6.5 million in treasury stock and incurred a net $0.3 million cash outflow related to our equity plans.

Year Ended December 29, 2013 Compared to Year Ended December 30, 2012

Operating Activities. Net cash provided by operating activities was $37.7 million in 2013, compared to $52.3 million in 2012. 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 decrease in net cash provided by operating activities in 2013 compared to 2012 was primarily due to an increase in cash expenditures in excess of the increase in cash receipts. This was primarily due to the timing of rent payments at the end of 2013 as compared to payments at the end of 2012, the repayment of tenant allowances in 2013 and the impact of the additional calendar week in 2012. Cash receipts in 2013 and 2012, including the net redemption of gift cards, were $411.8 million and $410.4 million, respectively. Cash expenditures during 2013 and 2012 were $380.4 million and $365.7 million, respectively. The decrease was also attributable to a decrease in cash received from lease incentives in 2013 compared to cash received from lease incentives in 2012.

Investing Activities. Net cash used in investing activities was $29.6 million in 2013, compared to $36.4 million in 2012. We used cash primarily to purchase property and equipment related to our restaurant expansion plans. The decrease in spending was related to the timing of restaurant openings, as well as the number of restaurants that were opened during 2013 versus 2012. During 2013, we opened eight restaurants and had no additional restaurants under

construction at year end, while in 2012 we opened nine company owned restaurants and had two additional restaurants under construction at year end.
Financing Activities. Net cash used in financing activities was $14.2 million in 2013, compared to $12.3 million in 2012. In 2013 we repaid $7.4 million in debt, repurchased $6.5 million in treasury stock and incurred a net $0.3 million cash outflow

related to our equity plans. In 2012 we paid down debt by $9.5 million and repurchased $2.9 million in treasury stock. These were slightly offset by a net $0.1 million cash inflow related to our equity plans.

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 2015 to be in the range of approximately $16.0 million to $18.0 million, primarily related to the planned opening of five new restaurants in 2015, early 2016 openings and normal maintenance capital expenditures related to our existing restaurants. In conjunction with these restaurant openings, we anticipate spending approximately $3.0 million to $3.5 million in pre-opening costs in 2015.

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 $41.8 million at December 28, 2014, compared to a net working capital deficit of $26.2 million at December 29, 2013.

On November 5, 2014, the Company entered into the 2014 Credit Agreement with a syndicate of financial institutions. The Company used borrowings under the 2014 Credit Agreement to repay in full the balances due under the credit agreement dated October 26, 2010 (as amended, the "2010 Credit Agreement") and subsequently terminated that agreement. The 2014 Credit Agreement provides for a revolving credit facility under which the Company may borrow up to $100.0 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 November 2019. Under the 2014 Credit Agreement, the Company may increase the revolving credit facility by up to $25.0 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 and (iii) secured by a pledge of all of the capital stock of our subsidiaries. The 2014 Credit Agreement also requires the Company to meet financial tests, including a maximum consolidated total leverage ratio and a minimum consolidated fixed charge coverage ratio. At December 28, 2014, the Company was in compliance with its applicable financial covenants. Additionally, the 2014 Credit Agreement contains 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 revolving credit facility to be in full force and effect, and a change of control of our business.

Borrowings under the 2014 Credit Agreement bear interest at the Company's option of either (i) the Base Rate (as such term is defined in the 2014 Credit Agreement) plus the applicable margin of 0.50% to 1.50% 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 1.50% to 2.50%. The applicable margins with respect to our revolving credit facility vary from time to time in accordance with agreed upon pricing grids based on our consolidated total leverage ratio. Swing-line loans under our revolving credit facility bear interest only at the Base Rate plus the applicable margin. Interest on loans based upon the Base Rate are payable on the last day of each calendar quarter in which such loan is outstanding. Interest on loans based on LIBOR is 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 is payable quarterly. In addition, the Company is required to pay an unused facility fee to the lenders equal to 0.20% to 0.35% per annum on the aggregate amount of the unused revolving credit facility, excluding swing-line loans, commencing on November 5, 2014, payable quarterly in arrears. As of December 28, 2014, we had an outstanding balance of $56.0 million 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

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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 28, 2014, we were not involved in any VIE transactions and did not otherwise have any material off-balance sheet arrangements.

Critical Accounting Policies

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 higher occupancy costs.

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. We have determined that our asset group for impairment testing is comprised of the assets and liabilities of each of our individual restaurants, as this is the lowest level of identifiable cash flows and primarily includes an assessment of historical cash flows and other relevant factors and circumstances.

We regularly review any restaurants that are cash flow negative for the previous four quarters to determine if impairment testing is warranted. As part of the review we also take into account that our business is highly sensitive to seasonal fluctuations such as the holiday season at the end of the fourth quarter as it significantly impacts our short and long term projections for each location. 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. At any given time, we may be monitoring a small number of locations, and future impairment charges could be required if individual restaurant performance does not improve. We forecast our future 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. 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 2014, as a result of the above mentioned review process, we did not incur an asset impairment charge.

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 our 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.

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Commitments and Contingencies

The following table summarizes our contractual obligations at December 28, 2014 on an actual basis.

Contractual Obligations	Payments Due by Year Total	2015	2016-2017	2018-2019	After 2019
	(In thousands)				
Revolving credit facility (1)	$56,000	$—	$—	$56,000	$—
Operating leases	297,435	27,708	56,779	55,412	157,536
Construction purchase obligations	1,456	1,456	—	—	—
Total contractual cash obligations	$354,891	$29,164	$56,779	$111,412	$157,536

(1) The outstanding balance on our $100.0 million revolving credit facility is due on November 5, 2019. Interest payments on our variable-rate revolving credit facility have been excluded from the amounts shown above, primarily because the balances outstanding can fluctuate monthly.

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. 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 be able 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 reportable segment.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The pronouncement is effective for annual and interim reporting periods beginning after December 15, 2016. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact this guidance will have on our consolidated financial statements as well as the expected adoption method.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an

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Entity. This update modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This update also expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. This update is effective for annual and interim periods beginning after December 15, 2014, with early adoption permitted. We adopted the provisions of ASU 2014-08 during the thirteen weeks ended June 29, 2014; the adoption of this standard has not had an impact on our consolidated financial statements.

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 revolving credit facility, which are payable at variable rates. We currently have approximately $56.0 million of borrowings under our revolving credit facility. Each eighth point change in interest rates on the variable rate portion of indebtedness under our revolving credit facility would result in annual changes of approximately $70,000 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 annual 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 December 28, 2014. 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 generally accepted accounting principles ("GAAP") and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail,

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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 28, 2014 based on the criteria in "Internal Control—Integrated Framework (2013)" 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 28, 2014.

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 Shareholders of
Bravo Brio Restaurant Group, Inc.
Columbus, Ohio

We have audited the internal control over financial reporting of Bravo Brio Restaurant Group, Inc. and subsidiaries (the "Company") as of December 28, 2014, based on the criteria established in Internal Control - Integrated Framework (2013)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 in the United States of America, 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 28, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) 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 28, 2014 of the Company and our report dated March 6, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP
Columbus Ohio
March 6, 2015

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter ended December 28, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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 2015 Annual Meeting of Shareholders (the “Proxy Statement”) to be filed within 120 days after the end of the Company’s fiscal year ended December 28, 2014.

The Company has adopted a written code of business conduct and ethics, 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 and all persons providing similar functions 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 Shareholder Matters.

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

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 28, 2014.

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	840,658	1.45	—
Bravo Brio Restaurant Group, Inc. Stock Incentive Plan	—	—	1,251,622
Equity Compensation plans not approved by security holders:			
None			
Total	840,658	1.45	1,251,622

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 annual report:

1. Financial Statements: See Index to Consolidated Financial Statements appearing on page 46 of this annual report.
2. Financial Statement Schedules: None.
3. Exhibits: See Exhibit Index appearing on page 62 of this annual report.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Bravo Brio Restaurant Group, Inc.
Columbus, Ohio

We have audited the accompanying consolidated balance sheets of Bravo Brio Restaurant Group, Inc. and subsidiaries (the "Company") as of December 28, 2014 and December 29, 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 28, 2014. 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 as of December 28, 2014 and December 29, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2014, 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 28, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 6, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
March 6, 2015

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 28, 2014 AND DECEMBER 29, 2013
(Dollars in thousands)

	December 28, 2014	December 29, 2013
Assets		
Current assets		
Cash and cash equivalents	$427	$7,640
Accounts receivable	7,079	8,181
Tenant improvement allowance receivable	1,613	1,386
Inventories	3,132	2,941
Deferred income taxes	3,459	2,625
Prepaid expenses and other current assets	2,179	5,434
Total current assets	17,889	28,207
Property and equipment, net	178,877	169,127
Deferred income taxes, net	50,872	53,381
Other assets, net	4,125	4,137
Total assets	$251,763	$254,852
Liabilities and Shareholders' Equity		
Current liabilities		
Trade and construction payables	$13,238	$8,781
Accrued expenses	25,975	23,651
Current portion of long-term debt	—	2,082
Deferred lease incentives	7,694	7,021
Deferred gift card revenue	12,783	12,876
Total current liabilities	59,690	54,411
Deferred lease incentives	59,475	60,539
Long-term debt	56,000	13,611
Other long-term liabilities	22,814	22,515
Commitments and contingencies (Note 13)		
Shareholders' equity		
Common shares, no par value per share— authorized 100,000,000 shares; 20,177,174 shares issued at December 28, 2014; and 19,991,927 shares issued at December 29, 2013	199,718	197,913
Preferred shares, no par value per share— authorized 5,000,000; and 0 shares issued and outstanding at December 28, 2014 and December 29, 2013	—	—
Treasury shares, 5,083,281 shares at December 28, 2014; and 633,273 shares at December 29, 2013	(72,997)	(9,378)
Retained deficit	(72,937)	(84,759)
Total shareholders' equity	53,784	103,776
Total liabilities and shareholders' equity	$251,763	$254,852

See notes to consolidated financial statements.

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BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2014, DECEMBER 29, 2013 AND DECEMBER 30, 2012
(Dollars and shares in thousands, except per share data)

	Fiscal Year Ended		
	December 28, 2014	December 29, 2013	December 30, 2012
Revenues	$408,309	$411,091	$409,065
Costs and expenses			
Cost of sales	107,078	105,628	106,716
Labor	144,848	143,097	139,917
Operating	65,851	64,970	62,016
Occupancy	29,013	28,506	26,088
General and administrative expenses	22,575	22,697	23,684
Restaurant pre-opening costs	3,204	3,560	4,492
Asset impairment charges	—	14,196	4,060
Depreciation and amortization	20,288	20,019	18,939
Total costs and expenses	392,857	402,673	385,912
Income from operations	15,452	8,418	23,153
Interest expense, net	1,347	1,143	1,353
Income before income taxes	14,105	7,275	21,800
Income tax expense (benefit)	2,283	(268)	5,652
Net income	$11,822	$7,543	$16,148
Net income per share — basic	$0.63	$0.39	$0.82
Net income per share — diluted	$0.60	$0.37	$0.78
Weighted average shares outstanding — basic	18,863	19,542	19,584
Weighted average shares outstanding — diluted	19,701	20,432	20,612

See notes to consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2014, DECEMBER 29, 2013 AND DECEMBER 30, 2012
(Dollars in thousands)

	Common Shares			Treasury Shares		
	Shares	Amount	Retained Deficit	Shares	Amount	Shareholders' Equity
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 shares of restricted stock	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
Net income	—	—	7,543	—	—	7,543
Share-based compensation costs	—	2,884	—	—	—	2,884
Purchase of treasury shares	—	—	—	(409,101)	(6,451)	(6,451)
Proceeds from the exercise of stock options	76,775	111	—	—	—	111
Issuance of shares of restricted stock	129,056	—	—	—	—	—
Shares withheld from restricted stock vesting for minimum tax withholdings	(34,332)	(510)	—	—	—	(510)
Excess tax deficiency from share based payments	—	(84)	—	—	—	(84)
Balance — December 29, 2013	19,991,927	$197,913	$(84,759)	(633,273)	$(9,378)	$ 103,776
Net income	—	—	11,822	—	—	11,822
Share-based compensation costs	—	2,451	—	—	—	2,451
Purchase of treasury shares	—	—	—	(4,450,008)	(63,619)	(63,619)
Proceeds from the exercise of stock options	74,759	109	—	—	—	109
Issuance of shares of restricted stock	152,647	—	—	—	—	—
Shares withheld from restricted stock vesting for minimum tax withholdings	(42,159)	(597)	—	—	—	(597)
Excess tax deficiency from share based payments	—	(158)	—	—	—	(158)
Balance — December 28, 2014	20,177,174	$199,718	$(72,937)	(5,083,281)	$(72,997)	$ 53,784

See notes to consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2014, DECEMBER 29, 2013 AND DECEMBER 30, 2012
(Dollars in thousands)

	Fiscal Year Ended		
	December 28, 2014	December 29, 2013	December 30, 2012
Cash flow provided by operating activities:			
Net income	$11,822	$7,543	$16,148
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (excluding deferred lease incentives)	20,607	20,417	19,291
Loss on disposals of property and equipment	658	1,445	426
Write-off of unamortized loan origination fees	377	—	—
Impairment of assets	—	14,196	4,060
Amortization of deferred lease incentives	(8,446)	(10,380)	(6,116)
Stock compensation costs	2,451	2,884	2,355
Deferred income taxes	1,675	(1,634)	3,767
Changes in certain assets and liabilities:			
Accounts and tenant improvement receivables	875	(201)	(1,744)
Inventories	(191)	82	(256)
Prepaid expenses and other current assets	3,255	(2,887)	(180)
Trade and construction payables	3,669	(857)	(2,109)
Deferred lease incentives	8,055	6,749	9,103
Deferred gift card revenue	(93)	666	1,347
Other accrued liabilities	2,151	(1,220)	4,541
Other — net	43	932	1,667
Net cash provided by operating activities	46,908	37,735	52,300
Cash flow used in investing activities:			
Purchase of property and equipment	(29,914)	(29,779)	(36,387)
Proceeds from sale of property and equipment	—	147	—
Net cash used in investing activities	(29,914)	(29,632)	(36,387)
Cash flow used in financing activities:			
Proceeds from long-term debt	169,800	—	—
Payments on long-term debt	(129,493)	(7,393)	(9,485)
Proceeds from the exercise of stock options	109	111	383
Excess tax benefit from share based payments	16	63	87
Shares withheld from restricted stock vesting for minimum tax withholdings	(597)	(510)	(347)
Repurchase of treasury shares	(63,619)	(6,451)	(2,927)
Loan origination fees related to new credit facility	(423)	—	—
Net cash used in financing activities	(24,207)	(14,180)	(12,289)
Net (decrease)/increase in cash equivalents:	(7,213)	(6,077)	3,624
Cash and equivalents — beginning of year	7,640	13,717	10,093
Cash and equivalents — end of year	$427	$7,640	$13,717
Supplemental disclosures of cash flow information:			
Interest paid	$574	$769	$1,024

Income taxes paid, net	$1,351	$1,587	$1,615
Property additions financed by trade and construction payables	$1,456	$668	$1,725

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 28, 2014, Bravo Brio Restaurant Group, Inc. (the “Company”) operated 111 restaurants under the trade names “Bravo! Cucina Italiana®,” “Brio Tuscan Grille™,” and “Bon Vie®.” Of the 111 restaurants the Company operates, there are 49 Bravo! Cucina Italiana® restaurants, 61 Brio Tuscan Grille™ restaurants, and one Bon Vie® restaurant in operation in 33 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 years ended December 28, 2014 and December 29, 2013 are 52 week years while the fiscal year ended December 30, 2012 is a 53 week year.

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 and amortization is calculated 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 Company incurred depreciation expense of $20.3 million, $20.0 million and $18.9 million for the years ended December 28, 2014, December 29, 2013 and December 30, 2012, respectively. Depreciation and amortization periods are as follows:

Buildings	30 to 40 years
Leasehold improvements	10 to 20 years
Furniture and fixtures	5 to 10 years
Computer software and equipment	3 to 5 years

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 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 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. The Company's trademarks and alcoholic beverage licenses have indefinite lives and are not subject to amortization. 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. As part of the review we also take into account that our business is sensitive to seasonal fluctuations, such as the holiday season at the end of the fourth quarter, which significantly impacts our short and long term projections for each location. The Company evaluates future cash flow projections in conjunction with qualitative factors and future operating plans and we regularly review any restaurants that are cash flow negative for the previous four quarters to determine if impairment testing is necessary. Based on this analysis, if the Company believes 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 estimated fair value, which we estimate as the discounted future cash flows of the location.

As a result of the above mentioned review process, the Company did not recognize an impairment charge in fiscal 2014. The Company recognized an impairment charge of $14.2 million related to five restaurants in fiscal 2013 and an impairment charge of $4.1 million related to two restaurants in fiscal 2012. The Company's impairment charges have occurred as a result of locations that have had lower than anticipated traffic near the restaurant and locations that have opened in areas with lower than normal retail co-tenancy.

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 estimates used in the impairment analysis represent a Level 3 fair value measurement. 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 28, 2014 and December 29, 2013, 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 28, 2014 and December 29, 2013 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 2014, 2013 and 2012, 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. We measure our total rewards obligation based on the estimated number of guests that will ultimately earn and redeem rewards under the program, and record the estimated related expense as rewards accumulate. These expenses are accrued and recorded as a reduction in revenues.

Certain of our promotional programs have included multiple element arrangements that incorporate both delivered and undelivered components. We allocate revenue using the relative selling price of each deliverable and recognize it upon delivery of each component.

Advertising — The Company expenses the cost of advertising (including production costs) the first time the advertising takes place. Advertising expense was $4.1 million, $4.2 million, and $4.1 million for fiscal years ended 2014, 2013 and 2012, 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 realized 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.

Stock-Based Compensation — The Company maintains equity compensation incentive plans that provide for the grant of nonqualified stock options and restricted stock. Options were 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, net of the estimated forfeiture rate, 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 Company reviews the forfeiture rate as necessary to determine if a change in estimate is necessary. Currently, the Company grants shares of restricted stock to its employees. The related compensation cost is being recorded over the four year vesting period of each restricted stock grant (See Note 10).

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 reportable segment.

Recently Adopted Accounting Pronouncements — In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The pronouncement is effective for annual and interim reporting periods beginning after December 15, 2016. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements as well as the expected adoption method.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This update also expands the disclosure requirements for disposals that meet the definition of a discontinued operation and requires entities to disclose information about disposals of individually significant components that do not meet the definition of discontinued operations. This update is effective for annual and interim periods beginning after

December 15, 2014, with early adoption permitted. The Company adopted the provisions of ASU 2014-08 during the fiscal year ended December 28, 2014; the adoption of this standard has not had an impact on its consolidated financial statements.

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 2014, 2013 and 2012 are as follows:
(in thousands, except per share data)

	Fiscal Years		
	2014	2013	2012
Net income attributed to common shareholders	$11,822	$7,543	$16,148
Weighted average common shares outstanding	18,863	19,542	19,584
Effect of dilutive securities:			
Stock options	794	831	979
Restricted stock	44	59	49
Weighted average common and potentially issuable common shares outstanding — diluted	19,701	20,432	20,612
Basic net income per common share	$0.63	$0.39	$0.82
Diluted net income per common share	$0.60	$0.37	$0.78

3. PROPERTY AND EQUIPMENT

The major classes of property and equipment at December 28, 2014 and December 29, 2013 are summarized as follows (in thousands):

	2014	2013
Land and buildings	$7,575	$7,368
Leasehold improvements	197,711	182,775
Equipment and fixtures	109,593	102,739
Construction in progress	7,602	2,834
Deposits on equipment orders	687	17
Total	323,168	295,733
Less accumulated depreciation and amortization	(144,291)	(126,606)
Property and equipment, net	$178,877	$169,127

4. OTHER ASSETS

The major classes of other assets at December 28, 2014 and December 29, 2013 are summarized as follows (in thousands):

	2014	2013
Loan origination fees	$423	$1,876
Liquor licenses	3,306	3,291
Trademarks	478	190
Deposits	188	196
Other assets — at cost	4,395	5,553
Less accumulated amortization	(270)	(1,416)
Other assets — net	$4,125	$4,137

5. LONG-TERM DEBT

Long-term debt at December 28, 2014 and December 29, 2013 consisted of the following (in thousands):

	2014	2013
Term loan	$—	$15,693
Revolving credit facility	56,000	—
Total	56,000	15,693
Less current maturities	—	2,082
Long-term debt	$56,000	$13,611

On November 5, 2014, the Company entered into a new credit agreement (the "2014 Credit Agreement") with a syndicate of financial institutions. The 2014 Credit Agreement provides for a revolving credit facility under which the Company may borrow up to $100.0 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 November 2019. The Company used borrowings under the 2014 Credit Agreement to repay in full the balances due under its former credit agreement, dated October 26, 2010, and subsequently terminated that agreement.

Under the 2014 Credit Agreement, the Company may increase the revolving credit facility by up to $25.0 million if no event of default exists and certain other requirements are satisfied. Borrowings under the revolving credit facility bear interest at the Company’s option of either (i) the Base Rate (as such term is defined in the 2014 Credit Agreement) plus the applicable margin of 0.50% to 1.50% 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 1.50% to 2.50%. In addition, the Company is required to pay an unused facility fee to the lenders equal to 0.20% to 0.35% per annum on the aggregate amount of the unused revolving credit facility, excluding swing-line loans, commencing on November 5, 2014, payable quarterly in arrears. Borrowings under the Company’s revolving credit facility are collateralized by a first priority interest in substantially all assets of the Company and its subsidiaries. The weighted average interest rate on Company borrowings at December 28, 2014 was 2.68% as compared to 2.99% at December 29, 2013.

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 28, 2014, the maximum exposure under these standby letters of credit was $2.4 million.

Pursuant to the 2014 Credit Agreement, 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.

6. ACCRUED EXPENSES

The major classes of accrued expenses at December 28, 2014 and December 29, 2013 are summarized as follows (in thousands):

	2014	2013
Compensation and related benefits	$9,524	$9,514
Accrued self-insurance claims liability	8,499	6,742
Other taxes payable	3,781	3,881
Other accrued liabilities	4,171	3,514
Total accrued expenses	$25,975	$23,651

7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at December 28, 2014 and December 29, 2013 consisted of the following (in thousands):

	2014	2013
Deferred rent	$20,874	$20,562
Other long-term liabilities	1,940	1,953
Total other long-term liabilities	$22,814	$22,515

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 2016 and 2031. 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, insurance, common area maintenance (CAM) charges, and various other expenses related to the properties.

At December 28, 2014, the future minimum rental commitments under noncancellable operating leases, including option periods which are reasonably assured of renewal, were as follows (in thousands):

2015	$27,708
2016	28,251
2017	28,528
2018	28,185
2019	27,227
Thereafter	157,536
Total	$297,435

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 2014, 2013 and 2012, consisted of the following (in thousands):

	2014	2013	2012
Minimum rent	$18,703	$18,930	$17,452
Contingent rent	625	804	1,082
Total	$19,328	$19,734	$18,534

9. SHAREHOLDERS' EQUITY

On October 23, 2013, the Board of Directors approved the terms of a new share repurchase plan under which the Company was authorized to repurchase up to $20.0 million of its common shares in both the open market or through privately negotiated transactions beginning October 23, 2013 and ending on December 28, 2014, subject to the Company’s pre-existing blackout periods. Under this and all previous authorizations, the Company cumulatively repurchased 1.5 million shares at a total cost of $22.4 million. During fiscal 2014, 2013, and 2012 the Company repurchased 0.9 million, 0.4 million, 0.2 million, of its common shares for $13.0 million, $6.5 million, and $2.9 million, respectively. Repurchased common shares are recorded to treasury shares.

On November 12, 2014, the Company commenced a modified "Dutch auction" tender offer to repurchase its common shares for an aggregate purchase price of up to $50.0 million. On December 10, 2014, the tender offer expired and on December 17, 2014, the Company repurchased 3.6 million shares for an aggregate purchase price of $50.0 million. The Company incurred costs of $0.6 million in connection with the tender offer, which were recorded to treasury shares.

10. STOCK BASED COMPENSATION

The Company adopted the Bravo Development, Inc. Option Plan (the “2006 Plan”) in order to provide an incentive to employees selected by the Board of Directors for participation. On October 6, 2010, the Board of Directors approved and, on October 18, 2010, the shareholders approved the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan (the “Stock Incentive Plan”). The Stock Incentive Plan became effective on October 26, 2010 upon the completion of the Company's initial public offering. In connection with the adoption of the Stock Incentive Plan, the Board of Directors terminated the 2006 Plan and no further awards will be granted under the 2006 Plan after such date. However, the termination of the 2006 Plan did not affect awards outstanding under the 2006 Plan at the time of its termination and the terms of the 2006 Plan continue to govern outstanding awards granted under the 2006 Plan.

2006 Plan

Stock option activity under the 2006 Plan for 2014, 2013 and 2012 consisted of the following:

	2014	2013	2012
Outstanding — beginning of year	915,417	992,192	1,260,825
Weighted-average exercise price	$1.45	$1.45	$1.44
Granted	—	—	—
Weighted-average exercise price	$—	$—	$—
Exercised	(74,759)	(76,775)	(268,633)
Weighted-average exercise price	$1.45	$1.45	$1.43
Forfeited	—	—	—
Weighted-average exercise price	$—	$—	$—
Outstanding — end of year	840,658	915,417	992,192
Weighted-average exercise price	$1.45	$1.45	$1.45
Exercisable — end of year	840,658	915,417	992,192

The weighted-average remaining contractual term of options outstanding at December 28, 2014 was 1.9 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 28, 2014 was $9.7 million.

Stock Incentive Plan

Restricted stock activity under the Stock Incentive Plan for fiscal 2014, 2013 and 2012 consisted of the following:

	2014	2013	2012
Outstanding — beginning of year	343,107	345,312	318,531
Weighted-average grant price	$16.94	$18.19	$16.99
Granted	136,000	152,400	157,000
Weighted-average grant price	$15.50	$14.84	$19.76
Vested	(152,647)	(129,056)	(102,719)
Weighted-average grant price	$17.11	$17.78	$16.97
Forfeited	(31,711)	(25,549)	(27,500)
Weighted-average grant price	$16.57	$17.08	$17.78
Outstanding — end of year	294,749	343,107	345,312
Weighted-average exercise price	$16.22	$16.94	$18.19

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 2014, the Company recorded approximately $2.5 million in stock compensation expense related to the shares of restricted stock. As of December 28, 2014, total unrecognized

stock-based compensation expense related to non-vested shares of restricted stock was approximately $3.0 million taking into account potential forfeitures, which is expected to be recognized over a weighted average period of approximately 2.3 years. These shares of restricted stock will vest, subject to certain exceptions, annually over a four-year period. The Company's restricted stock award agreements allow employees to surrender to the Company shares of stock upon vesting in lieu of their payment of the required personal employment-related taxes. Employees surrendered to the Company 42,159 shares, 34,332 shares and 27,483 shares of stock towards the minimum statutory tax withholdings which the Company recorded as a reduction in common shares in an amount of approximately $0.6 million, $0.5 million and $0.3 million, for fiscal 2014, 2013 and 2012, respectively.

11. 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 2014, 2013, and 2012, were $269,000, $258,000 and $254,000, respectively.

12. INCOME TAXES

The provision for income taxes for 2014, 2013 and 2012 consisted of the following (in thousands):

	2014	2013	2012
Current income tax expense:			
Federal	$358	$683	$1,108
State and local	250	683	777
Total current income tax expense	608	1,366	1,885
Deferred income tax expense (benefit):			
Federal	1,228	(1,714)	3,188
State and local	447	80	579
Total deferred income tax expense (benefit)	1,675	(1,634)	3,767
Total income tax expense (benefit)	$2,283	$(268)	$5,652

Deferred income taxes as of December 28, 2014 and December 29, 2013 consisted of the following (in thousands):

	2014	2013
Deferred tax assets:		
Goodwill for tax reporting purposes	$21,468	$24,789
Stock compensation	4,549	4,976
Self-insurance reserves	3,226	2,592
Depreciation and amortization	12,723	11,957
Business credit carryforwards	23,433	20,007
Other	866	724
Total gross deferred tax assets	66,265	65,045
Deferred tax liabilities:		
Prepaid assets	(366)	(572)
Deferred rent	(11,568)	(8,467)
Total gross deferred tax liabilities	(11,934)	(9,039)
Net deferred tax asset	$54,331	$56,006

Goodwill for tax reporting purposes is amortized over 15 years. At December 28, 2014, 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 business credit carryforwards mainly consisting of Federal Insurance Contributions Act (FICA) tip credit carryforwards of $22.6 million, which will expire at various dates from 2029 through 2034.

As of December 28, 2014, December 29, 2013 and December 30, 2012, the Company did not carry 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 effective income tax expense differs from the federal statutory tax expense for the years ended December 28, 2014, December 29, 2013 and December 30, 2012, as follows (in thousands):

	2014	2013	2012
Provision at statutory rate	$4,937	$2,546	$7,631
FICA tip credit	(4,896)	(4,702)	(4,318)
State income taxes — net of federal benefit	568	332	928
Other — net	1,674	1,556	1,411
Total income tax (benefit) expense	$2,283	$(268)	$5,652

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 28, 2014 and December 29, 2013, 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 26, 2010 through December 28, 2014. The Company is currently open to audit, subject to the statute of limitations, under certain states for the years ended December 26, 2010 through December 28, 2014. 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 its consolidated 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.

13. 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.

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables set forth certain unaudited consolidated financial information for each of the four quarters in fiscal 2014 and fiscal 2013 (in thousands, except per share data):

	Fiscal 2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenues	$102,648	$104,455	$94,576	$106,630	$408,309
Income from operations	4,251	5,567	863	4,771	15,452
Net income	2,877	3,972	1,139	3,834	11,822
Basic net income per share	$0.15	$0.21	$0.06	$0.21	$0.63
Diluted net income per share	$0.14	$0.20	$0.06	$0.20	$0.60
Basic weighted average shares outstanding	19,314	19,085	18,853	18,199	18,863
Diluted weighted average shares outstanding	20,165	19,989	19,768	19,026	19,701
	Fiscal 2013				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Revenues	$103,063	$105,622	$96,290	$106,116	$411,091
Income (loss) from operations (1)	5,133	6,574	3,122	(6,411)	8,418
Net income (loss)	3,419	4,542	2,249	(2,667)	7,543
Basic net income (loss) per share	$0.17	$0.23	$0.12	$(0.14)	$0.39
Diluted net income (loss) per share (2)	$0.17	$0.22	$0.11	$(0.14)	$0.37
Basic weighted average shares outstanding	19,606	19,591	19,525	19,445	19,542
Diluted weighted average shares outstanding (3)	20,476	20,489	20,439	19,445	20,432

(1) Contains asset impairment charges that decreased income by $14.2 million related to five restaurants in the fourth quarter of 2013.

(2) Sum of the quarterly amounts do not equal the total year amount due to rounding.

(3) Due to the net loss in the fourth quarter of 2013, all stock options and unvested shares of restricted stock were considered anti-dilutive and not included in that quarter's diluted weighted average shares outstanding.

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).
10.1+	Employment Agreement, effective February 25, 2014, by and between Bravo Brio Restaurant Group, Inc. and Saed Mohseni (incorporated by reference from Exhibit 10.1 to the Company's 2013 Form 10K filed with the Securities and Exchange Commission on March 3, 2014).
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).
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 25, 2014, by and between Bravo Brio Restaurant Group, Inc. and Distribution Market Advantage, Inc. (incorporated by

	reference from Exhibit 10.11 to the Company's 2013 Form 10K filed with the Securities and Exchange Commission on March 3, 2014).
10.12	Form of Indemnification Agreement for certain officers and directors (incorporated by reference from Exhibit 10.12 to the Company's 2012 Form 10K filed with the Securities and Exchange Commission on March 5, 2013).
10.13+	Employment Agreement, dated as of August 1, 2013, by and between Bravo Brio Restaurant Group, Inc. and Brian T. O'Malley (incorporated by reference from Exhibit 10.1 to the Current Report on Form 10-Q filed with the Securities and Exchange Commission on August 2, 2013).

	Description
10.14	Credit Agreement, dated as of November 5, 2014, 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 as documentation agent, and Wells Fargo Securities, LLC, Keybanc Capital Markets, Inc. and Merril Lynch, Pierce, Fenner & Smith, Inc., as co-lead arrangers and joint book managers (incorporated by reference from Exhibit 99.12(b) to the Company's Schedule TO filed with the Securities and Exchange Commission on November 12, 2014).
11	Computation of Per Share Earnings (included in the Notes to Consolidated Financial Statements contained in this Annual Report).
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 6, 2015

Bravo Brio Restaurant Group, Inc.

By: /s/ Saed Mohseni
Saed Mohseni
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	Chief Executive Officer and Director (principal executive officer)	March 6, 2015
By:	/s/ James J. O'Connor James J. O'Connor	Chief Financial Officer, Treasurer and Secretary (principal financial officer and principal accounting officer)	March 6, 2015
By:	/s/ Thomas J. Baldwin Thomas J. Baldwin	Director	March 6, 2015
By:	/s/ Alton F. Doody III Alton F. Doody III	Director	March 6, 2015
By:	/s/ James S. Gulmi James S. Gulmi	Director	March 6, 2015
By:	/s/ David B. Pittaway David B. Pittaway	Director	March 6, 2015
By:	/s/ Harold O. Rosser, II Harold O. Rosser, II	Director	March 6, 2015
By:	/s/ Fortunato N. Valenti Fortunato N. Valenti	Director	March 6, 2015

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