SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 24, 2017

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 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.

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth 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	☒	Smaller reporting company	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)			Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

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

As of November 1, 2017, the latest practicable date, 15,204,654 of the registrant's common shares, no par value per share, were outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 24, 2017 AND DECEMBER 25, 2016
(Dollars in thousands)

	September 24, 2017 (Unaudited)	December 25, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 387	$ 444
Accounts receivable	5,780	9,587
Tenant improvement allowance receivable	116	799
Inventories	2,636	3,114
Prepaid expenses and other current assets	1,903	3,339
Total current assets	10,822	17,283
Property and equipment — net	137,178	145,120
Other assets — net	4,147	4,359
Total assets	$ 152,147	$ 166,762
Liabilities and shareholders' deficiency in assets		
Current liabilities		
Trade and construction payables	$ 16,770	$ 15,514
Accrued expenses	23,600	27,351
Current portion of long-term debt	8,500	4,000
Deferred lease incentives	7,270	7,334
Deferred gift card revenue	11,270	18,618
Total current liabilities	67,410	72,817
Deferred lease incentives	48,252	54,459
Long-term debt	34,900	37,500
Other long-term liabilities	22,367	23,516
Commitments and contingencies (Note 6)		
Shareholders' deficiency in assets		
Common shares, no par value per share— authorized 100,000,000 shares; 21,178,105 shares issued at September 24, 2017 and 21,069,454 shares issued at December 25, 2016	203,285	202,561
Preferred shares, no par value per share— authorized 5,000,000 shares; issued and outstanding, 0 shares at September 24, 2017 and December 25, 2016	—	—
Treasury shares, 5,977,860 shares at September 24, 2017 and December 25, 2016	(81,019)	(81,019)
Retained deficit	(143,048)	(143,072)
Total shareholders' deficiency in assets	(20,782)	(21,530)
Total liabilities and shareholders' deficiency in assets	$ 152,147	$ 166,762

See condensed notes to unaudited consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017 AND SEPTEMBER 25, 2016 (UNAUDITED)
(in thousands except per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
Revenues	$ 88,731	$ 94,588	$ 298,491	$ 308,601
Costs and expenses				
Cost of sales	22,713	25,265	77,201	80,507
Labor	34,339	36,938	111,876	115,954
Operating	15,699	16,432	49,484	51,626
Occupancy	7,132	8,036	22,888	23,622
General and administrative expenses	5,267	6,896	19,313	20,141
Restaurant preopening costs	270	107	420	621
Impairment	—	—	—	1,249
Depreciation and amortization	5,148	5,600	15,405	16,680
Total costs and expenses	90,568	99,274	296,587	310,400
(Loss) income from operations	(1,837)	(4,686)	1,904	(1,799)
Interest expense, net	677	406	1,717	1,098
(Loss) income before income taxes	(2,514)	(5,092)	187	(2,897)
Income tax (benefit) expense	(42)	(2,107)	163	(1,506)
Net (loss) income	$ (2,472)	$ (2,985)	$ 24	$ (1,391)
Net (loss) income per basic share	$ (0.16)	$ (0.20)	$ 0.00	$ (0.09)
Net (loss) income per diluted share	$ (0.16)	$ (0.20)	$ 0.00	$ (0.09)
Weighted average shares outstanding-basic	15,197	14,582	15,162	14,648
Weighted average shares outstanding-diluted	15,197	14,582	15,190	14,648

See condensed notes to unaudited consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY IN ASSETS
FOR THE THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017 (UNAUDITED)
(Dollars in thousands)

	Common Shares		Retained	Treasury Stock		Shareholders'
	Shares	Amount	Deficit	Shares	Amount	Deficiency in Assets
Balance — December 25, 2016	21,069,454	$ 202,561	$ (143,072)	(5,977,860)	$ (81,019)	$ (21,530)
Net income	—	—	24	—	—	24
Share-based compensation costs	—	748	—	—	—	748
Proceeds from the exercise of stock options	13,228	19	—			19
Issuance of shares of restricted stock	104,873	—	—	—	—	—
Shares withheld for employee taxes	(9,450)	(43)	—	—	—	(43)
Balance — September 24, 2017	21,178,105	$ 203,285	$ (143,048)	(5,977,860)	$ (81,019)	$ (20,782)

See condensed notes to unaudited consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THIRTY-NINE WEEKS ENDED SEPTEMBER 24, 2017 AND SEPTEMBER 25, 2016
(UNAUDITED)
(Dollars in thousands)

	Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016
Cash flows from operating activities:		
Net income (loss)	$ 24	$ (1,391)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,581	16,744
Loss on disposals of property and equipment	445	695
Write-off of unamortized loan origination fees	69	—
Impairment of assets	—	1,249
Amortization of deferred lease incentives	(5,942)	(6,026)
Share-based compensation costs	748	864
Deferred income taxes	—	(1,506)
Changes in assets and liabilities:		
Accounts and tenant improvement allowance receivables	4,490	2,521
Inventories	478	451
Prepaid expenses and other current assets	1,596	806
Trade and construction payables	1,257	(1,994)
Deferred lease incentives	(329)	2,054
Deferred gift card revenue	(7,348)	(3,581)
Other accrued expenses	(3,751)	(3,668)
Other — net	(1,100)	(147)
Net cash provided by operating activities	6,218	7,071
Cash flows from investing activities:		
Purchase of property and equipment	(7,887)	(11,629)
Net cash used in investing activities	(7,887)	(11,629)
Cash flows from financing activities:		
Proceeds from long-term debt	463,900	489,100
Payments on long-term debt	(462,000)	(481,400)
Proceeds from the exercise of stock options	19	445
Shares withheld for employee taxes	(43)	(185)
Repurchase of treasury shares	—	(3,461)
Loan origination fees related to credit facility amendment	(264)	—
Net cash provided by financing activities	1,612	4,499
Net decrease in cash and cash equivalents	(57)	(59)
Cash and cash equivalents — beginning of period	444	447
Cash and cash equivalents — end of period	$ 387	$ 388
Supplemental disclosures of cash flow information:		
Interest paid	1,515	925
Income taxes (received) paid	(1,128)	458
Property financed by trade and construction payables	616	880

See condensed notes to unaudited consolidated financial statements.

BRAVO BRIO RESTAURANT GROUP, INC. AND SUBSIDIARIES

Condensed Notes to Unaudited Consolidated Financial Statements

1. BASIS OF PRESENTATION

Description of Business — As of September 24, 2017, Bravo Brio Restaurant Group, Inc. (the "Company") operated 113 restaurants under the trade names "Bravo! Cucina Italiana®," "Brio Tuscan Grille™," and "Bon Vie®." Of the 113 restaurants the Company operates, there are 49 Bravo! Cucina Italiana® restaurants, 63 Brio Tuscan Grille™ restaurants and one Bon Vie® restaurant in operation in 32 states throughout the United States of America. The Company owns all of its restaurants with the exception of one Brio Tuscan Grille™ restaurant, which it operates under a management agreement and for which operation it receives a management fee. Additionally, one Brio Tuscan Grille™ restaurant is operated under a franchise agreement.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all the information and disclosures required by GAAP for complete financial statements. The operating results included herein are not necessarily indicative of results for any other interim period or for the full fiscal year.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to applicable rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the unaudited consolidated financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation. These unaudited consolidated financial statements and related condensed notes should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 2016 filed with the SEC on March 6, 2017 (the "2016 Annual Report on Form 10-K").

Recent 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 ASU 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 FASB later issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations*, in March 2016, ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing*, in April 2016, ASU 2016-12, *Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients*, in May 2016, and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, in December 2016, all of which further clarified aspects of Topic 606. The pronouncement is effective for annual and interim reporting periods beginning after December 15, 2017 and the amendments have the same effective date and transition requirements as the revenue standard. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. This ASU permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the overall impact this ASU will have on its consolidated financial statements. While the Company continues to assess all potential impacts of this ASU, it currently believes the most significant impact relates to accounting for unredeemed gift cards (breakage). Under this ASU, the Company expects to recognize breakage proportional to actual gift card redemptions. The Company plans to adopt this ASU in fiscal 2018, using the modified retrospective method. Under this method, the Company expects to record a cumulative adjustment to retained earnings related to the impacts of applying the new ASU. Additionally, this ASU requires enhanced disclosures, including significant judgments in measurement and recognition. The Company is continuing its assessment, which may identify other impacts.

In July 2015, the FASB issued ASU 2015-11, *Inventory: Simplifying the Measurement of Inventory (Topic 330)*. This ASU provides guidance on the subsequent measurement of inventory, which changes the measurement from lower of cost or market to lower of cost and net realizable value. This ASU defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation and is effective for annual and interim periods beginning after December 15, 2016. The Company adopted this ASU during the thirteen weeks ended March 26, 2017. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires organizations to recognize lease assets and lease liabilities on the balance sheet and also disclose key information about leasing arrangements. This ASU is effective for annual reporting periods beginning on or after December 15, 2018, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual period. As of September 24, 2017, the Company has not adopted this ASU. The Company has not completed the process of evaluating the impact that will result from adopting this ASU and is therefore unable to disclose the impact that adopting this ASU will have on its financial position, results of operations, and cash flows.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718)*. This ASU is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. The Company adopted this ASU during the thirteen weeks ended March 26, 2017. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation: Scope of Modification Accounting*. This ASU provides clarity and reduces complexity when an entity has changes to the terms or conditions of a share-based payment award, and when an entity should apply modification accounting. This ASU is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted for interim and annual periods. The Company has not yet adopted this guidance. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

2. NET INCOME PER SHARE

Basic earnings per share (EPS) data is computed based on weighted average common shares outstanding during the period. Diluted EPS data is computed based on weighted average common shares outstanding, including all potentially issuable common shares.

(in thousands, except per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
Net (loss) income	$ (2,472)	$ (2,985)	$ 24	$ (1,391)
Weighted average common shares outstanding	15,197	14,582	15,162	14,648
Effect of dilutive securities:				
Stock options	—	—	17	—
Restricted stock	—	—	11	—
Weighted average common and potentially issuable common shares outstanding—diluted	15,197	14,582	15,190	14,648
Basic net (loss) income per common share	$ (0.16)	$ (0.20)	$ 0.00	$ (0.09)
Diluted net (loss) income per common share	$ (0.16)	$ (0.20)	$ 0.00	$ (0.09)

Shares of common stock equivalents of 422,790 were excluded from the diluted calculation for the thirteen weeks ended September 24, 2017 due to a net loss during the period. Shares of common stock equivalents of 389,836 were excluded from the diluted calculation due to their anti-dilutive effect for the thirty-nine weeks ended September 24, 2017. Shares of common stock equivalents of 806,286 were excluded from the diluted calculation for the thirteen and thirty-nine weeks ended September 25, 2016 due to a net loss during each respective period.

3. **LONG-TERM DEBT**

Long-term debt at September 24, 2017 and December 25, 2016 consisted of the following (in thousands):

	September 24, 2017	December 25, 2016
Term loan	$ 31,000	$ 34,000
Revolving credit facility	12,400	7,500
Total	43,400	41,500
Less current maturities	8,500	4,000
Long-term debt	$ 34,900	$ 37,500

On November 5, 2014, the Company entered into a credit agreement (the "2014 Credit Agreement") with a syndicate of financial institutions with respect to its senior credit facilities. On October 31, 2016, the Company entered into an amendment to the 2014 Credit Agreement (the "Amendment"). The Amendment redefined the Company's senior credit facilities and provides for (i) a $35.0 million term loan facility, maturing in 2019, and (ii) a revolving credit facility under which the Company may borrow up to $30.0 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 2019. On August 1, 2017, the Company entered into a second amendment to the 2014 Credit Agreement (the "Second Amendment"). The Second Amendment provides for (a) the amendment of the maturity date of the senior credit facilities from November 5, 2019 to December 1, 2018, (b) a reduction of the amount the Company may borrow pursuant to its revolving credit facility from $30.0 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) to (i) $20.0 million (including a sublimit cap of up to $4.0 million for letters of credit and up to $10.0 million for swing-line loans) on August 1, 2017, (ii) $15.0 million (including a sublimit cap of up to $4.0 million for letters of credit and up to $10.0 million for swing-line loans) on December 31, 2017, (iii) $15.0 million (including a sublimit cap of up to $3.0 million for letters of credit and up to $10.0 million for swing-line loans) on March 31, 2018 and (iv) $10.0 million (including a sublimit cap of up to $3.0 million for letters of credit and up to $10.0 million for swing-line loans) on June 30, 2018; and (c) an increase to the fixed quarterly principal payments from $1.0 million per quarter to $2.5 million per quarter beginning on March 31, 2018.

Borrowings under the senior credit facilities bear interest at (i) the Base Rate (as such term is defined in the Amendment) plus the applicable margin of 1.50% to 2.00% or (ii) at a fixed rate for a period of one, two, three or six months equal to the London interbank offered rate, LIBOR, plus the applicable margin of 2.50% to 3.00%. In addition to making fixed quarterly principal payments under the Company's senior credit facilities, the Company is required to pay an unused facility fee to the lenders equal to 0.30% to 0.50% per annum on the aggregate amount of the unused revolving credit facility, excluding swing-line loans, payable quarterly in arrears. Borrowings under the Company's senior credit facilities are collateralized by a first priority interest in substantially all tangible and intangible personal property of the Company and its subsidiaries.

The 2014 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 September 24, 2017, the maximum exposure under these standby letters of credit was $2.9 million.

Pursuant to the Second Amendment, the Company is required to meet certain financial covenants including a minimum consolidated fixed charge coverage ratio, a maximum consolidated lease-adjusted leverage ratio and a minimum earnings before interest, taxes, depreciation and amortization. In addition to these financial tests, the Amendment places limitations on new restaurant leases until the lease-adjusted leverage ratio meets certain thresholds.

4. **STOCK BASED COMPENSATION**

In June 2006, the Company adopted the Bravo Development, Inc. Option Plan (the “2006 Plan”) in order to provide an incentive to employees. In conjunction with the Company’s initial public offering, all of the then outstanding options under the 2006 Plan became exercisable and the 2006 Plan was terminated. No further compensation costs will be recorded under the 2006 Plan. The 2006 Plan was replaced with the Bravo Brio Restaurant Group, Inc. Stock Incentive Plan (the “Stock Incentive Plan”), which was adopted in October 2010.

2006 Plan

Stock option activity for the thirty-nine weeks ended September 24, 2017 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 25, 2016	56,691	$ 1.45
Exercised	(13,228)	$ 1.45
Granted	—	$ —
Forfeited	(23,509)	$ 1.45
Outstanding at September 24, 2017	19,954	$ 1.45
Exercisable at September 24, 2017	19,954	$ 1.45

At September 24, 2017, the weighted-average remaining contractual term of options outstanding was approximately 2.0 years and all of the options were exercisable. Aggregate intrinsic value is calculated as the difference between the Company's closing price at the end of the fiscal quarter 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 quarter end date. The aggregate intrinsic value for outstanding and exercisable options at September 24, 2017 was $19.0 thousand.

Stock Incentive Plan

Restricted stock activity for the thirty-nine weeks ended September 24, 2017 is summarized as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding at December 25, 2016	320,570	$ 9.20
Granted	236,500	$ 4.69
Vested	(104,873)	$ 10.84
Forfeited	(49,361)	$ 7.27
Outstanding at September 24, 2017	402,836	$ 6.36

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. Stock compensation costs related to shares of restricted stock were approximately $0.7 million and $0.9 million for the thirty-nine weeks ended September 24, 2017 and September 25, 2016, respectively. As of September 24, 2017, total unrecognized stock-based compensation expense related to non-vested shares of restricted stock was approximately $1.9 million taking into account potential forfeitures, which is expected to be recognized over a weighted average period of approximately 2.9 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 9,450 and 22,792 shares of restricted stock towards the minimum statutory tax withholdings, which the Company recorded as a reduction in common shares in the amount of approximately $43.0 thousand and $170.0 thousand, for the thirty-nine weeks ended September 24, 2017 and September 25, 2016, respectively.

5. INCOME TAXES

Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Both positive and negative evidence are considered in forming management's judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. Due to the impairment charges recorded during 2016 and 2015, the Company is in a three-year cumulative loss position. According to ASC Topic No. 740, Income Taxes ("ASU 740"), cumulative losses in recent years represent significant negative evidence in considering whether deferred tax assets are realizable. Based on the required weight of that evidence under ASC 740, the Company has determined that a valuation allowance was needed for all of its net deferred income tax assets. The Company recorded valuation allowances of $67.0 million and $64.7 million as of September 24, 2017 and December 25, 2016, respectively. The tax benefits relating to any reversal of the valuation allowance on the net deferred tax assets will be recognized as a reduction of future income tax expense.

6. 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.

As of September 24, 2017, the Company has assigned the lease relating to one property; however, the Company remains secondarily liable for the associated lease payments. The Company has recorded a liability for this continuing obligation which is based on the Company's estimate of fair value. If the assignee ceases making lease payments or otherwise fails to perform its contractual obligations, the Company may incur additional expense and increase the liability associated with this continuing obligation.

In May 2016, a former restaurant hourly employee filed a putative class and collective action lawsuit in the United States District Court for the Southern District of Missouri, *Mamdooh Hussein v. Bravo Brio Restaurant Group, Inc.*, alleging that the Company violated Missouri wage and hour law and the Fair Labor Standards Act, as interpreted by the Department of Labor, by not paying regular minimum wage for time spent performing non-tipped duties. In March 2017, the Company and the plaintiffs in this litigation agreed in principle to settle the litigation. Based upon the conditions of this settlement, the Company has recorded a total expense of $2.1 million in potential settlement and legal costs during the thirty-nine weeks ended September 24, 2017, but the proposed settlement may result in a loss of $1.8 million in excess of the amount recorded. In 2016, the Company recorded $0.5 million in potential settlement and legal costs related to this matter.

In August 2016, a former restaurant hourly employee filed a putative class and collective action lawsuit in the United States District Court for the Western District of New York, *Robert Andreescu v. Bravo Brio Restaurant Group, Inc.*, alleging that the Company violated New York wage and hour law and the Fair Labor Standards Act, as interpreted by the Department of Labor, by not paying regular minimum wage for time spent performing non-tipped duties. The lawsuit seeks unspecified penalties in addition to other monetary payments. The Company intends to defend this case vigorously, but it is not possible at this time to reasonably estimate the outcome of or any potential liability from this case.

During the thirty-nine weeks ended September 24, 2017, the Company settled a loss claim asserted by the Company which previously arose and recognized a gain of $0.5 million to general and administrative expenses. The majority of the gain pertained to compensation for the Company's lost operating income awarded by the claims administrator pursuant to the settlement agreement reached in litigation related to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico.

7. IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews 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. The Company has determined that its asset group for impairment testing is comprised of the assets and liabilities of each of its 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. As part of the review, the Company also takes into account that its business is highly sensitive to seasonal fluctuations such as the holiday season at the end of the fourth quarter as it significantly impacts its 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.

The Company evaluates future undiscounted cash flow projections in conjunction with qualitative factors and future operating plans. The 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. The estimates used in the impairment analysis represent a Level 3 fair value measurement. At any given time, the Company may be monitoring a number of locations, and future impairment charges could be required if individual restaurant performance does not improve. The Company forecasts 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. The Company compares this cash flow forecast to the asset's carrying value at the restaurant. Based on this analysis, if the Company determines that the carrying amount of the assets are not recoverable, an impairment charge is recognized based upon the amount by which the asset's carrying value exceeds fair value. The Company incurred a non-cash impairment charge of $1.2 million during the thirty-nine weeks ended September 25, 2016 related to one restaurant. The Company did not recognize an impairment charge during the thirty-nine weeks ended September 24, 2017.

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

You should read this discussion together with our unaudited consolidated financial statements and accompanying condensed notes included herein. Unless indicated otherwise, any reference in this report to the "Company," "we," "us," and "our" refer to Bravo Brio Restaurant Group, Inc. together with its subsidiaries.

This discussion contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should" or "will" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors, including those discussed under the heading "Risk Factors" in our 2016 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. We assume no obligation to provide revisions to any forward-looking statements should circumstances change.

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our 2016 Annual Report on Form 10-K and the unaudited consolidated financial statements and the related condensed notes thereto included herein.

Overview

We are an 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 sensitive to seasonal fluctuations as, historically, the percentage of operating income earned during the first and fourth quarters has been higher than the other quarters due in part to higher restaurant sales during the winter months in our restaurants located in the southern region of the United States and 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 2016 and the first three quarters of 2017. 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 traffic, 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.

Recent guest traffic trends and their effect on sales may result in individual restaurants being cash flow negative. For these restaurants, the Company reviews the associated long-lived assets, such as property, equipment and intangibles subject to amortization, for impairment. We are currently monitoring the performance of certain restaurants with negative cash flows. Based on our current projections, no additional impairment beyond that already recorded has been identified. However, depending upon the performance trends of these monitored restaurants, an impairment charge may be necessary in the fourth quarter of 2017. See the Company's significant accounting policies presented in Note 1 to the Company's consolidated financial statements for the fiscal year ended December 25, 2016, which are contained in our 2016 Annual Report on Form 10-K, for further information regarding the Company's accounting policy for impairment of long-lived assets and intangible assets.

Results of Operations

Thirteen Weeks Ended September 24, 2017 Compared to the Thirteen Weeks Ended September 25, 2016

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

	Thirteen Weeks Ended					
	September 24, 2017	% of Revenues	September 25, 2016	% of Revenues	Change	% Change
	(dollars in thousands)					
Revenues	$ 88,731	100.0 %	$ 94,588	100 %	$ (5,857)	(6.2)%
Costs and expenses						
Cost of sales	22,713	25.6 %	25,265	26.7 %	(2,552)	(10.1)%
Labor	34,339	38.7 %	36,938	39.1 %	(2,599)	(7.0)%
Operating	15,699	17.7 %	16,432	17.4 %	(733)	(4.5)%
Occupancy	7,132	8.0 %	8,036	8.5 %	(904)	(11.2)%
General and administrative expenses	5,267	5.9 %	6,896	7.3 %	(1,629)	(23.6)%
Restaurant preopening costs	270	0.3 %	107	0.1 %	163	-
Depreciation and amortization	5,148	5.8 %	5,600	5.9 %	(452)	(8.1)%
Total costs and expenses	90,568	102.1 %	99,274	105.0 %	(8,706)	(8.8)%
(Loss) income from operations	(1,837)	(2.1)%	(4,686)	(5.0)%	2,849	(60.8)%
Interest expense, net	677	0.8 %	406	0.4 %	271	66.7 %
(Loss) income before income taxes	(2,514)	(2.8)%	(5,092)	(5.4)%	2,578	(50.6)%
Income tax (benefit) expense	(42)	0.0 %	(2,107)	(2.2)%	2,065	(98.0)%
Net (loss) income	**$ (2,472)**	**(2.8)%**	**$ (2,985)**	**(3.2)%**	**$ 513**	**(17.2)%**

Certain percentage amounts may not sum due to rounding. Percentages over 100% are not shown.

Revenues. Revenues decreased $5.9 million, or 6.2%, to $88.7 million for the thirteen weeks ended September 24, 2017, as compared to $94.6 million for the thirteen weeks ended September 25, 2016. The decrease of $5.9 million was due to the cumulative impact of the closure of five Company restaurants in 2017 and a decrease of 5.7%, or $5.1 million, in comparable restaurant sales, which was the result of a 5.8% decrease in guest counts and a 0.1% increase in average check for the thirteen weeks ended September 24, 2017 as compared to the thirteen weeks ended September 25, 2016. We consider a restaurant to be part of the comparable restaurant base in the first full quarter following the eighteenth month of operations.

For our BRAVO! brand, restaurant revenues decreased $2.3 million, or 6.6%, to $32.6 million for the thirteen weeks ended September 24, 2017 as compared to $34.9 million for the thirteen weeks ended September 25, 2016. Comparable restaurant sales for the BRAVO! brand restaurants decreased 2.7%, or $0.9 million, to $31.6 million for the thirteen weeks ended September 24, 2017 as compared to $32.5 million for the thirteen weeks ended September 25, 2016 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 $1.4 million to $1.0 million for the thirteen weeks ended September 24, 2017 as compared to $2.4 million for the thirteen weeks ended September 25, 2016. The decrease of $1.4 million was primarily due to the closure of one BRAVO! restaurant in the second quarter of 2017. At September 24, 2017, there were 47 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 decreased $3.8 million, or 6.5%, to $55.0 million for the thirteen weeks ended September 24, 2017 as compared to $58.8 million for the thirteen weeks ended September 25, 2016. Comparable restaurant sales for the BRIO brand restaurants decreased 7.4%, or $4.2 million, to $52.5 million for the thirteen weeks ended

September 24, 2017 as compared to $56.7 million for the thirteen weeks ended September 25, 2016 due to a decrease in guest counts, partially offset by an increase in average check. Revenues for BRIO brand restaurants not included in the comparable restaurant base increased $0.4 million to $2.5 million for the thirteen weeks ended September 24, 2017 as compared to $2.1 million for the thirteen weeks ended September 25, 2016. The increase of $0.4 million was due to the opening of one BRIO restaurant in the fourth quarter of 2016 and one restaurant during the thirteen weeks ended September 24, 2017 as well as the closure of two BRIO restaurants in the second quarter of 2017 and two restaurants during the thirteen weeks ended September 24, 2017. At September 24, 2017, there were 60 BRIO restaurants included in the comparable restaurant base and three BRIO restaurants not included in the comparable restaurant base.

Cost of Sales. Cost of sales decreased $2.6 million, or 10.1%, to $22.7 million for the thirteen weeks ended September 24, 2017 as compared to $25.3 million for the thirteen weeks ended September 25, 2016. The decrease in the current period was primarily due to the decrease in comparable restaurant sales as well as the absence of additional costs associated with the initial testing and implementation of a new menu at both brands during the prior period. As a percentage of revenues, cost of sales decreased to 25.6% for the thirteen weeks ended September 24, 2017 as compared to 26.7% for the thirteen weeks ended September 25, 2016. The decrease in the current period was primarily due to increases in average check at both brands during the third quarter of 2017 as well as the absence of additional costs associated with the implementation of a new menu at both brands during the prior period. As a percentage of revenues, food costs decreased 1.0% to 21.3% for the thirteen weeks ended September 24, 2017 as compared to 22.3% for the thirteen weeks ended September 25, 2016. Beverage costs decreased 0.1% to 4.3% for the thirteen weeks ended September 24, 2017 as compared to 4.4% for the the thirteen weeks ended September 25, 2016.

Labor Costs. Labor costs decreased $2.6 million, or 7.0%, to $34.3 million for the thirteen weeks ended September 24, 2017 as compared to $36.9 million for the thirteen weeks ended September 25, 2016. This decrease was primarily due to the decrease in comparable restaurant sales as well as the absence of additional training costs associated with the initial testing and implementation of a new menu at both brands during the prior period. As a percentage of revenues, labor costs decreased to 38.7% for the thirteen weeks ended September 24, 2017, from 39.1% for the thirteen weeks ended September 25, 2016, primarily due to the absence additional training costs associated with the initial testing and implementation of a new menu at both brands during the prior period.

Operating Costs. Operating costs decreased $0.7 million, or 4.5%, to $15.7 million for the thirteen weeks ended September 24, 2017 as compared to $16.4 million for the thirteen weeks ended September 25, 2016. This decrease was primarily due to a decrease in supplies costs during the thirteen weeks ended September 24, 2017. As a percentage of revenues, operating costs increased to 17.7% for the thirteen weeks ended September 24, 2017, from 17.4% for the thirteen weeks ended September 25, 2016, primarily due to the deleveraging resulting from the decrease in comparable restaurant sales during the quarter.

Occupancy Costs. Occupancy costs decreased $0.9 million, or 11.2%, to $7.1 million for the thirteen weeks ended September 24, 2017 as compared to $8.0 million for the thirteen weeks ended September 25, 2016. This decrease was primarily due to the impact of a net reduction of 39 operating weeks in 2017 as compared to 2016. As a percentage of revenues, occupancy costs decreased to 8.0% for the thirteen weeks ended September 24, 2017, from 8.5% for the thirteen weeks ended September 25, 2016.

General and Administrative. General and administrative expenses decreased by $1.6 million, or 23.6%, to $5.3 million for the thirteen weeks ended September 24, 2017, as compared to $6.9 million for the thirteen weeks ended September 25, 2016. This decrease was primarily due to lower corporate compensation expense during the current period. As a percentage of revenues, general and administrative expenses decreased to 5.9% for the thirteen weeks ended September 24, 2017, from 7.3% for the thirteen weeks ended September 25, 2016, primarily due to lower corporate compensation expenses.

Restaurant Pre-opening Costs. Pre-opening costs increased by $163 thousand to $270 thousand for the thirteen weeks ended September 24, 2017, as compared to $107 thousand for the thirteen weeks ended September 25, 2016. Year over year changes in pre-opening costs are driven by the timing and number of restaurant openings in a given period. During the thirteen weeks ended September 24, 2017, we opened one restaurant and did not have any restaurants under construction. During the thirteen weeks ended September 25, 2016, we did not open any restaurants and had one restaurant under construction.

Depreciation and Amortization. Depreciation and amortization expenses decreased by $0.5 million to $5.1 million for the thirteen weeks ended September 24, 2017, as compared to $5.6 million for the thirteen weeks ended September 25, 2016. This decrease was primarily due to asset impairment charges incurred in 2016. As a percentage of revenues, depreciation and amortization expenses decreased to 5.8% for the thirteen weeks ended September 24, 2017 as compared to 5.9% for the thirteen weeks ended September 25, 2016. The decrease, as a percentage of revenues, was due to asset impairment charges incurred in 2016, partially offset by the deleveraging resulting from the decrease in comparable restaurant sales during the quarter.

Net Interest Expense. Net interest expense increased by $0.3 million to $0.7 million for the thirteen weeks ended September 24, 2017, as compared to $0.4 million for the thirteen weeks ended September 25, 2016. This increase was primarily due to higher borrowing rates for the thirteen weeks ended September 24, 2017 after giving effect to the Amendment, as compared to the borrowing rates for the thirteen weeks ended September 25, 2016.

Income Taxes. Income tax benefit decreased $2.1 million to $42 thousand for the thirteen weeks ended September 24, 2017, as compared to $2.1 million for the thirteen weeks ended September 25, 2016. The decrease in income tax benefit was primarily due to the difference in the estimated annual effective tax rate of approximately 5% for the thirteen weeks ended September 24, 2017 as compared to approximately 90%, as well as a loss before taxes for the thirteen weeks ended September 25, 2016.

Non-GAAP Measures. Adjusted net income and 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 investors with 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):

	Thirteen Weeks Ended	
	September 24, 2017	September 25, 2016
Net loss	$ (2,472)	$ (2,985)
Impact from:		
Write-off of unamortized loan origination fees (1)	69	—
Tax expense from excess tax deficiency for option exercises (2)	—	624
Income tax expense (3)	(3)	—
Adjusted net loss	$ (2,406)	$ (2,361)

	Basic		Diluted	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
Net loss per share	$ (0.16)	$ (0.20)	$ (0.16)	$ (0.20)
Impact from:				
Write-off of unamortized loan origination fees (1)	—	—	—	—
Tax expense from excess tax deficiency for option exercises (2)	—	0.04	—	0.04
Income tax expense (3)	—	—	—	—
Adjusted net loss per share	$ (0.16)	$ (0.16)	$ (0.16)	$ (0.16)
Weighted average shares outstanding (4)	15,197	14,582	15,197	14,582

1) Reflects non-cash write-off of unamortized loan origination fees related to the second amendment to the Company's senior credit facilities on August 1, 2017.
2) Reflects the excess tax deficiency associated with the exercise of stock options during the period.
3) Reflects the adjustments for income taxes, at our estimated annual effective tax rate, related to the write-off of unamortized loan origination fees.
4) Diluted weighted average shares outstanding includes all potentially issuable common shares, except in a loss position, in which case diluted weighted average shares outstanding is equal to basic weighted average shares outstanding.

Thirty-Nine Weeks Ended September 24, 2017 Compared to the Thirty-Nine Weeks Ended September 25, 2016

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

	Thirty-Nine Weeks Ended					
	September 24, 2017	% of Revenues	September 25, 2016	% of Revenues	Change	% Change
	(dollars in thousands)					
Revenues	$ 298,491	100%	$ 308,601	100 %	$ (10,110)	(3.3)%
Costs and expenses						
Cost of sales	77,201	25.9%	80,507	26.1 %	(3,306)	(4.1)%
Labor	111,876	37.5%	115,954	37.6 %	(4,078)	(3.5)%
Operating	49,484	16.6%	51,626	16.7 %	(2,142)	(4.1)%
Occupancy	22,888	7.7%	23,622	7.7 %	(734)	(3.1)%
General and administrative expenses	19,313	6.5%	20,141	6.5 %	(828)	(4.1)%
Restaurant preopening costs	420	0.1%	621	0.2 %	(201)	(32.4)%
Impairment	—	—%	1,249	0.4 %	(1,249)	-
Depreciation and amortization	15,405	5.2%	16,680	5.4 %	(1,275)	(7.6)%
Total costs and expenses	296,587	99.4%	310,400	100.6 %	(13,813)	(4.5)%
Income (loss) from operations	1,904	0.6%	(1,799)	(0.6)%	3,703	-
Interest expense, net	1,717	0.6%	1,098	0.4 %	619	56.4 %
Income (loss) before income taxes	187	0.1%	(2,897)	(0.9)%	3,084	-
Income tax expense	163	0.1%	(1,506)	(0.5)%	1,669	-
Net income (loss)	**$ 24**	**0.0%**	**$ (1,391)**	**(0.5)%**	**$ 1,415**	**-**

Certain percentage amounts may not sum due to rounding. Percentages over 100% are not shown.

Revenues. Revenues decreased $10.1 million, or 3.3%, to $298.5 million for the thirty-nine weeks ended September 24, 2017, as compared to $308.6 million for the thirty-nine weeks ended September 25, 2016. The decrease of $10.1 million was primarily due to the cumulative impact of the closure of five restaurants in 2017 and a decrease in comparable restaurant sales of 2.9%, or $8.4 million, which was the result of a 4.3% decrease in guest counts and a 1.4% increase in average check. We consider a restaurant to be part of the comparable restaurant base in the first full quarter following the eighteenth month of operations.

For our BRAVO! brand, restaurant revenues decreased $5.9 million, or 5.2%, to $108.5 million for the thirty-nine weeks ended September 24, 2017 as compared to $114.4 million for the thirty-nine weeks ended September 25, 2016. Comparable restaurant sales for the BRAVO! brand restaurants decreased 2.2%, or $2.4 million, to $105.0 million for the thirty-nine weeks ended September 24, 2017 as compared to $107.4 million for the thirty-nine weeks ended September 25, 2016. This decrease was due to a decrease in guest counts, partially offset by an increase in average check during the first thirty-nine weeks of 2017. Revenues for BRAVO! brand restaurants not included in the comparable restaurant base decreased $3.5 million to $3.5 million for the thirty-nine weeks ended September 24, 2017 as compared to $7.0 million for the thirty-nine weeks ended September 25, 2016. The decrease of $3.5 million was primarily due to the impact of two restaurant closures in the third quarter of 2016 and one restaurant closure in the second quarter of 2017. At September 24, 2017, there were 47 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 decreased $4.5 million, or 2.3%, to $188.7 million for the thirty-nine weeks ended September 24, 2017 as compared to $193.2 million for the thirty-nine weeks ended September 25, 2016. Comparable restaurant sales for the BRIO brand restaurants decreased 3.2%, or $6.0 million, to $181.1 million for the thirty-nine weeks ended September 24, 2017 as compared to $187.1 million for the thirty-nine weeks ended September 25, 2016. This decrease was due to a decrease in guest counts, partially offset by an increase in average check during the first thirty-nine weeks of 2017. Revenues for BRIO brand restaurants not included in the comparable restaurant base increased $1.5 million to $7.6 million for the thirty-nine weeks ended September 24, 2017 as compared to $6.1 million for the thirty-nine weeks ended September 25, 2016. The increase of $1.5 million was primarily due to the opening of one BRIO restaurant in the fourth quarter of 2016 and one restaurant during the thirty-nine weeks ended September 24, 2017. At September 24, 2017, there were 60 BRIO restaurants included in the comparable restaurant base and three BRIO restaurants not included in the comparable restaurant base.

Cost of Sales. Cost of sales decreased approximately $3.3 million, or 4.1%, to $77.2 million for the thirty-nine weeks ended September 24, 2017 as compared to $80.5 million for the thirty-nine weeks ended September 25, 2016. The decrease in the current period was primarily due to the decrease in comparable restaurant sales as well as the absence of additional costs associated with the initial testing and implementation of a new menu at both brands during the prior period. As a percentage of revenues, cost of sales decreased to 25.9% for the thirty-nine weeks ended September 24, 2017 as compared to 26.1% for the thirty-nine weeks ended September 25, 2016. As a percentage of revenues, food costs decreased 0.1% to 21.5% for the thirty-nine weeks ended September 24, 2017 as compared to 21.6% for the thirty-nine weeks ended September 25, 2016. Beverage costs, as a percentage of revenues, decreased 0.1% to 4.4% for the thirty-nine weeks ended September 24, 2017 as compared to 4.5% for the thirty-nine weeks ended September 25, 2016.

Labor Costs. Labor costs decreased $4.1 million, or 3.5%, to $111.9 million for the thirty-nine weeks ended September 24, 2017, as compared to $116.0 million for the thirty-nine weeks ended September 25, 2016. This decrease in the current period was primarily due to the decrease in comparable restaurant sales as well as the absence of additional training costs associated with the initial testing and implementation of a new menu at both brands during the prior period. As a percentage of revenues, labor costs decreased to 37.5% for the thirty-nine weeks ended September 24, 2017 as compared to 37.6% for the thirty-nine weeks ended September 25, 2016. The decrease in the current period was primarily due to the absence of additional training costs associated with the initial testing and implementation of a new menu at both brands during the prior period, partially offset by the deleveraging resulting from the decrease in comparable restaurant sales in the first thirty-nine weeks of 2017 as compared to the same period in the prior year.

Operating Costs. Operating costs decreased $2.1 million, or 4.1%, to $49.5 million for the thirty-nine weeks ended September 24, 2017, as compared to $51.6 million for the thirty-nine weeks ended September 25, 2016. This decrease was primarily due to a decrease in supplies and insurance costs during the thirty-nine weeks ended September 24, 2017. As a percentage of revenues, operating costs decreased to 16.6% for the thirty-nine weeks ended September 24, 2017 as compared to 16.7% for the thirty-nine weeks ended September 25, 2016. This decrease was primarily due to a decrease in supplies and insurance costs, partially offset by the deleveraging resulting from the decrease in comparable restaurant sales in the first thirty-nine weeks of 2017 as compared to the same period in the prior year.

Occupancy Costs. Occupancy costs decreased $0.7 million, or 3.1%, to $22.9 million for the thirty-nine weeks ended September 24, 2017, as compared to $23.6 million for the thirty-nine weeks ended September 25, 2016. This decrease was primarily due to the impact of a net reduction of 79 operating weeks in 2017 as compared to 2016. As a percentage of revenues, occupancy costs remained flat at 7.7% for each of the thirty-nine weeks ended September 24, 2017 and September 25, 2016.

General and Administrative. General and administrative expenses decreased by $0.8 million, or 4.1%, to $19.3 million for the thirty-nine weeks ended September 24, 2017, as compared to $20.1 million for the thirty-nine weeks ended September 25, 2016. This decrease was primarily due to lower corporate compensation expense, partially offset by an increase in litigation costs during the thirty-nine weeks ended September 24, 2017. As a percentage of revenues, general and administrative expenses remained flat at 6.5% for each of the thirty-nine weeks ended September 24, 2017 and September 25, 2016.

Restaurant Pre-opening Costs. Pre-opening costs decreased by $0.2 million to $0.4 million for the thirty-nine weeks ended September 24, 2017 as compared to $0.6 million for the thirty-nine weeks ended September 25, 2016. Year over year changes in pre-opening costs are driven by the timing and number of restaurant openings in a given period. During the first thirty-nine weeks of 2017, we opened one restaurant and did not have any restaurants under construction. In the first thirty-nine weeks of 2016, we opened two restaurants and had one restaurant under construction.

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 been incurred 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 during the thirty-nine weeks ended September 24, 2017. We incurred a non-cash impairment charge of $1.2 million during the thirty-nine weeks ended September 25, 2016 related to one restaurant.

Depreciation and Amortization. Depreciation and amortization expenses decreased $1.3 million to $15.4 million for the thirty-nine weeks ended September 24, 2017 as compared to $16.7 million for the thirty-nine weeks ended September 25, 2016. This decrease in the current period was primarily due to asset impairment charges incurred in 2016. As a percentage of revenues, depreciation and amortization expenses decreased to 5.2% for the thirty-nine weeks ended September 24, 2017 as compared to

5.4% for the thirty-nine weeks ended September 25, 2016. The decrease, as a percentage of revenues, was due to asset impairment charges incurred in 2016, partially offset by the deleveraging resulting from the decrease in comparable restaurant sales in the first thirty-nine weeks of 2017 as compared to the same period in the prior year.

Net Interest Expense. Net interest expense increased by $0.6 million to $1.7 million for the thirty-nine weeks ended September 24, 2017 as compared to $1.1 million and the thirty-nine weeks ended September 25, 2016. This increase was primarily due to higher borrowing rates for the thirty-nine weeks ended September 24, 2017 after giving effect to the Amendment, as compared to the borrowing rates for the thirty-nine weeks ended September 25, 2016.

Income Taxes. Income tax expense increased $1.7 million to $0.2 million for the thirty-nine weeks ended September 24, 2017 as compared to an income tax benefit of $1.5 million for the thirty-nine weeks ended September 25, 2016. The increase in income tax expense was due to the difference in the estimated annual effective tax rate of approximately 5% on income before taxes for the thirty-nine weeks ended September 24, 2017 as compared to an estimated annual effective tax rate of approximately 90% on a loss before taxes for the thirty-nine weeks ended September 25, 2016.

Non-GAAP Measures. Adjusted net income and 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 investors with 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):

	Thirty-Nine Weeks Ended	
	September 24, 2017	**September 25, 2016**
Net income (loss)	$ 24	$ (1,391)
Impact from:		
Litigation settlements and expenses, net (1)	1,560	—
Asset impairment charges (2)	—	1,249
Write-off of unamortized loan origination fees (3)	69	—
Tax expense related to an Internal Revenue Service audit settlement (4)	—	265
Tax expense from excess tax deficiency for option exercises (5)	—	758
Income tax expense (6)	(81)	(125)
Adjusted net income	$ 1,572	$ 756

	Basic		Diluted	
	September 24, 2017	September 25, 2016	September 24, 2017	September 25, 2016
Net income (loss) per share	$ 0.00	$ (0.09)	$ 0.00	$ (0.09)
Impact from:				
Litigation settlements and expenses, net (1)	0.10	—	0.10	—
Asset impairment charges (2)	—	0.08	—	0.08
Write-off of unamortized loan origination fees (3)	—	—	—	—
Tax expense related to an Internal Revenue Service audit settlement (4)	—	0.02	—	0.02
Tax expense from excess tax deficiency for option exercises (5)	—	0.05	—	0.05
Income tax expense (6)	$ —	$ (0.01)	$ —	$ (0.01)
Adjusted net income per share	$ 0.10	$ 0.05	$ 0.10	$ 0.05
Weighted average shares outstanding (7)	15,162	14,648	15,190	15,372

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1) See Note 6 to our unaudited consolidated financial statements in Part 1, Item 1 of this report for information regarding litigation settlements and expenses recorded during the thirty-nine weeks ended September 25, 2016.
2) Reflects non-cash asset impairment charges for the thirty-nine weeks ended September 25, 2016 for one restaurant.
3) Reflects non-cash write-off of unamortized loan origination fees related to the second amendment to the Company's senior credit facilities on August 1, 2017.
4) Reflects the tax expense associated with the settlement of an Internal Revenue Service audit during the period.
5) Reflects the excess tax deficiency associated with the exercise of stock options during the period.
6) Reflects the adjustments for income taxes, at our estimated annual effective tax rate, related to accrued liability for current litigation, impairment charges and the write-off of unamortized loan origination fees.
7) Diluted weighted average shares outstanding includes potentially issuable common shares. Common share equivalents of 389,836 and 90,520 were excluded from the diluted calculation due to their anti-dilutive effect for the thirty-nine weeks ended September 24, 2017 and September 25, 2016, respectively.

Liquidity

Our principal sources of cash have been net cash provided by operating activities and borrowings under our revolving credit facility. As of September 24, 2017, we had approximately $0.4 million in cash and cash equivalents. On August 1, 2017, the Company entered into the Second Amendment to its senior credit facilities. The Second Amendment reduces the amount we may borrow pursuant to our revolving credit facility from $30.0 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) to (i) $20.0 million (including a sublimit cap of up to $4.0 million for letters of credit and up to $10.0 million for swing-line loans) on August 1, 2017, (ii) $15.0 million (including a sublimit cap of up to $4.0 million for letters of credit and up to $10.0 million for swing-line loans) on December 31, 2017, (iii) $15.0 million (including a sublimit cap of up to $3.0 million for letters of credit and up to $10.0 million for swing-line loans) on March 31, 2018 and (iv) $10.0 million (including a sublimit cap of up to $3.0 million for letters of credit and up to $10.0 million for swing-line loans) on June 30, 2018. As of September 24, 2017, we had approximately $4.7 million of availability under our revolving credit facility (after giving effect to $2.9 million of outstanding letters of credit and $12.4 million in outstanding debt under our revolving credit facility).

Our need for capital resources is driven by our restaurant expansion plans, on-going maintenance of our restaurants, existing site remodels 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 over 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 may 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 our 2016 Annual Report on Form 10-K under the heading "Risk Factors."

The following table presents a summary of our cash flows for the thirty-nine weeks ended September 24, 2017 and September 25, 2016 (dollars in thousands):

	Thirty-Nine Weeks Ended	
	September 24, 2017	September 25, 2016
Net cash provided by operating activities	$ 6,218	$ 7,071
Net cash used in investing activities	(7,887)	(11,629)
Net cash provided by financing activities	1,612	4,499
Net decrease in cash and cash equivalents	(57)	(59)
Cash and cash equivalents at beginning of period	444	447
Cash and cash equivalents at end of period	$ 387	$ 388

Operating Activities. Net cash provided by operating activities was $6.2 million for the thirty-nine weeks ended September 24, 2017, compared to $7.1 million for the thirty-nine weeks ended September 25, 2016. Cash receipts from operations, including the net redemption of gift cards, for the first thirty-nine weeks of 2017 and 2016 were $291.3 million and $306.1 million, respectively. Cash expenditures for operations during the first thirty-nine weeks of 2017 and 2016 were $285.7 million and $299.2 million, respectively.

Investing Activities. Net cash used in investing activities was $7.9 million for the thirty-nine weeks ended September 24, 2017, compared to $11.6 million for the thirty-nine weeks ended September 25, 2016. We invest cash to purchase property and equipment related to our restaurant expansion plans, which is related to the timing of spending for our new restaurants as well as the number of restaurants that were opened and under construction during 2017 versus 2016. During the first thirty-nine weeks of 2017, we opened one restaurant and did not have any restaurants under construction. During the first thirty-nine weeks of 2016, we opened two restaurants and had one restaurant under construction.

Financing Activities. Net cash provided by financing activities was $1.6 million for the thirty-nine weeks ended September 24, 2017, compared to net cash provided by financing activities of $4.5 million for the thirty-nine weeks ended September 25, 2016. For the thirty-nine weeks ended September 24, 2017, we had net borrowings of $1.9 million on our senior credit facilities. For the thirty-nine weeks ended September 25, 2016, we had net borrowings of $7.7 million on our revolving credit facility and repurchased $3.5 million in treasury stock.

As of September 24, 2017, we had no financing transactions, arrangements or other relationships with any related parties. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

Capital Resources

Future Capital Requirements. Our capital requirements are primarily dependent upon the pace of our real estate development program and existing site remodeling plans. Our real estate development program and existing site remodeling plans are dependent upon many factors, including economic conditions, real estate markets, site locations and the nature of lease agreements. Our capital expenditure outlays are also dependent on 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 on average will 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 million 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 estimated lease incentives, for the remainder of 2017 to be in the range of approximately $2.0 million to $3.0 million, for a total of $8.0 million to $9.0 million for the year 2017. This is primarily related to the opening of one restaurant prior to the end of 2017 as well as normal maintenance related capital expenditures relating to our existing restaurants. In conjunction with this restaurant opening, we anticipate expensing approximately $0.1 million in pre-opening costs for the remainder of 2017 for a total of approximately $0.5 million for the year 2017.

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, beverage and supplies, therefore reducing the need for incremental working capital to support growth. We had a net working capital deficit of $56.6 million at September 24, 2017, compared to a net working capital deficit of $55.5 million at December 25, 2016.

On November 5, 2014, the Company entered into the 2014 Credit Agreement with a syndicate of financial institutions and on October 31, 2016, the Company entered into the Amendment. The Amendment redefines the Company's senior credit facilities and provides for (i) a $35.0 million term loan facility, maturing in 2019, and (ii) a revolving credit facility under which the Company may borrow up to $30.0 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 2019. On August 1, 2017, the Company entered into the Second Amendment. The Second Amendment provides for (a) the amendment of the maturity date of the senior credit facilities from November 5, 2019 to December 1, 2018, (b) a reduction of the amount the Company may borrow pursuant to its revolving credit facility from $30.0 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) to (i) $20.0 million (including a sublimit cap of up to $4.0 million for letters of credit and up to $10.0 million for swing-line loans) on August 1, 2017, (ii) $15.0 million (including a sublimit cap of up to $4.0 million for letters of credit and up to $10.0 million for swing-line loans) on December 31, 2017, (iii) $15.0 million (including a sublimit cap of up to $3.0 million for letters of credit and up to $10.0 million for swing-line loans) on March 31, 2018 and (iv) $10.0 million (including a sublimit cap of up to $3.0 million for letters of credit and up to $10.0 million for swing-line loans) on June 30, 2018; and (c) an increase to the fixed quarterly principal payments from $1.0 million per quarter to $2.5 million per quarter beginning on on March 31, 2018. The Second Amendment also modifies the financial tests that the Company is required to meet by lowering the minimum consolidated fixed charge coverage ratio, raising the maximum consolidated lease-adjusted leverage ratio, and lowering the minimum earnings before interest, taxes, depreciation and amortization (as defined in the Amendment). In addition to these financial tests, the Amendment places limitations on new restaurant leases until the lease-adjusted leverage ratio meets certain thresholds. Our senior credit facilities are (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. At September 24, 2017, the Company was in compliance with its applicable financial covenants. Additionally, the Amendment 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 senior credit facilities to be in full force and effect, and a change of control of our business.

Borrowings under the senior credit facilities bear interest at the Company's option of either (i) the Base Rate (as such term is defined in the Amendment) plus the applicable margin of 1.50% to 2.00% or (ii) at a fixed rate for a period of one, two, three or six months equal to the London interbank offered rate, LIBOR, plus the applicable margin of 2.50% to 3.00%. 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. The Amendment requires the Company to make fixed quarterly principal payments of $1.0 million under the senior credit facilities. In addition to making fixed quarterly principal payments under the Company's senior credit facilities, the Company is required to pay an unused facility fee to the lenders equal to 0.30% to 0.50% per annum on the aggregate amount of the unused revolving credit facility, excluding swing-line loans, commencing on October 31, 2016, payable quarterly in arrears. As of September 24, 2017, we had an outstanding principal balance of approximately $31.0 million on our term loan facility and $12.4 million on our revolving credit facility.

We continue to operate in a challenging environment, and our ability to comply with our applicable financial covenants may be affected in the future by economic, industry or business conditions beyond our control. Based on the Company's forecasts, management believes the Company will be able to maintain compliance with its applicable financial covenants for at least the next twelve months. However, no assurances can be given that we will achieve these forecasts. We base our forecasts on historical experience, industry conditions and various other assumptions related to comparable restaurant sales, average check, guest counts, and cost management that we believe are reasonable. If actual results are below our current forecast by a substantial margin, we may not be able to maintain compliance with our financial covenants. If we are unable to comply with the required covenants and are unable to obtain necessary waivers of non-compliance or additional amendments to the 2014 Credit Agreement, it would have a material adverse effect on our business, financial condition and liquidity.

Management believes expected future cash flow from operations as well as available borrowings under our senior credit facilities will be sufficient to meet liquidity needs for at least the next twelve months; however, no assurances can be given that expected future cash flow levels will be generated and all liquidity needs will be met.

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 September 24, 2017, we were not involved in any VIE transactions and did not otherwise have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

There have been no material changes to our critical accounting policies from what was previously reported in our 2016 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are subject to interest rate risk in connection with our long term debt. Our principal interest rate exposure relates to the loans outstanding under our senior credit facilities, which is payable at variable rates.

At September 24, 2017, we had $43.4 million outstanding under our senior credit facilities. Each one-eighth point change in interest rates on the variable rate portion of debt under our senior credit facilities would result in an approximately $54,000 annual change in our interest expense.

Commodity Price Risk

We are exposed to market price fluctuations in some of our food product prices. Given the historical volatility of our 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 currently do not contract for any of our fresh seafood and 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 related to any of our food product prices at this time.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedure

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 amended (the "Exchange Act")), as of the end of the period covered in this report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures, including the accumulation and communication of disclosure to our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding disclosure, are effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the relevant SEC rules and forms.

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.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

See Note 6 to our unaudited consolidated financial statements in Part 1, Item 1 of this report.

Item 1A. Risk Factors

There have been no material changes from our risk factors as previously reported in our 2016 Annual Report on Form 10-K.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

The following exhibits are filed or furnished with this Quarterly Report:

EXHIBIT INDEX

Exhibit Number	Description
11	Computation of Per Share Earnings (included in the Condensed Notes to Unaudited Consolidated Financial Statements contained in this Report).
31(a)*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)*	Certification of Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

SIGNATURES

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

Date: November 1, 2017

Bravo Brio Restaurant Group, Inc.

By: /s/ Brian T. O'Malley
Brian T. O'Malley
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Diane D. Reed
Diane D. Reed
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer)

Exhibit 31(a)

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

I, Brian T. O'Malley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bravo Brio Restaurant Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 1, 2017

/s/ Brian T. O'Malley

Brian T. O'Malley
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31(b)

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

I, Diane D. Reed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bravo Brio Restaurant Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2017

/s/ Diane D. Reed

Diane D. Reed
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 32(a)

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

In connection with the Quarterly Report of Bravo Brio Restaurant Group, Inc. (the “Company”) on Form 10-Q for the period ended September 24, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Brian T. O'Malley, President and Chief Executive Officer of the Company, and Diane D. Reed, Chief Financial Officer, Treasurer and Secretary of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

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

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

Dated: November 1, 2017

/s/ Brian T. O'Malley

Brian T. O'Malley
President, Chief Executive Officer and Director
(Principal Executive Officer)

Dated: November 1, 2017

/s/ Diane D. Reed

Diane D. Reed
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)