

BRUNS GEORGE H JR
Form 4
July 01, 2010

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BRUNS GEORGE H JR

2. Issuer Name and Ticker or Trading Symbol
GIGA TRONICS INC [GIGA]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
4650 NORRIS CANYON ROAD
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
06/29/2010

Director 10% Owner
 Officer (give title below) Other (specify below)

SAN RAMON, CA 94583

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
common stock	06/29/2010		G	29,500 D	\$ 0 24,903	I	By Bruns Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

27,500

569

Senior Vice President,

2004

196,577

114,000

12,000

307

Chief Development

2003

170,423

64,250

12,000

238

Officer

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Michael J. Snyder,

2005

427,888

(8)

20,000

2,856

(9)

former Chairman and

2004

492,308

(8)

570,000

(8)

80,000

2,819

Chief Executive

2003

446,717

(8)

510,875

(8)

60,000

2,160

Officer(7)(8)

(1) In accordance with the rules of the SEC, the compensation described in this table does not include a) medical, group life insurance or other benefits received by any of the named executive officers that are available generally to all of our salaried employees, or b) perquisites and other personal benefits received by the named executive officers that in the aggregate do not exceed the lesser of \$50,000 or 10% of the officer's salary and bonus disclosed in this table.

(2) Represents premiums paid for supplemental life insurance.

(3) Mr. Mullen began his employment with the Company on August 11, 2005.

(4) Includes: (1) the payment of commuting costs for the benefit of Mr. Mullen of \$45,988; (2) the payment of \$32,610 for the payment of taxes related to the reimbursement of commuting costs; and (3) the payment of an automobile allowance of \$3,751 for Mr. Mullen.

(5) Includes \$12,791 of salary earned during 2004 and \$12,337 of salary and \$43,434 of bonus compensation earned during 2003 that Mr. Merullo has elected to defer.

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(6) Includes \$12,577 of salary and \$41,973 of bonus compensation earned during 2005, \$10,347 of salary and \$28,500 of bonus compensation earned during 2004 and \$8,705 of salary and \$26,700 of bonus compensation earned during 2003 that Mr. Houseman has elected to defer.

(7) On August 11, 2005, Mr. Snyder retired as the company's chairman of the board of directors, president, and chief executive officer.

(8) Amounts do not include \$1.25 million that Mr. Snyder reimbursed the company as full payment for certain expenses incurred by him since 2001 that were determined by a special committee of the Board of Directors to be inconsistent with company policies or which lacked sufficient documentation.

(9) Through August 31, 2005, the last day of Mr. Snyder's employment with the company.

Option Grants during Fiscal Year 2005

The following table sets forth information with respect to option grants to the named executive officers during fiscal year 2005:

Individual Grants														
Name	Number of Securities Underlying Options		% of Total Options Granted to Employees in		Exercise Price per Share (\$/Share)(4)	Expiration Date(5)	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)							
	Granted(2)		2005(3)				5.0%(\$)	10.0%(\$)						
Dennis B. Mullen	5,000	(6)	0.91	%	\$ 55.16	6/2/2015	\$ 173,449	\$ 439,554						
	100,000	(7)	18.24	%	\$ 45.79	8/25/2015	\$ 2,879,709	\$ 7,297,747						
Michael E. Woods	10,000		1.82	%	\$ 51.75	4/14/2015	\$ 325,453	\$ 824,762						
	10,000		1.82	%	\$ 46.22	9/1/2015	\$ 290,675	\$ 736,628						
Robert J. Merullo	10,000		1.82	%	\$ 51.75	4/14/2015	\$ 325,453	\$ 824,762						
	10,000		1.82	%	\$ 46.22	9/1/2015	\$ 290,675	\$ 736,628						
Eric C. Houseman	15,000		2.74	%	\$ 51.75	4/14/2015	\$ 488,179	\$ 1,237,143						
	15,000		2.74	%	\$ 46.22	9/1/2015	\$ 436,013	\$ 1,104,942						
Todd A. Brighton	15,000		2.74	%	\$ 51.75	4/14/2015	\$ 488,179	\$ 1,237,143						
	12,500		2.28	%	\$ 46.22	9/1/2015	\$ 363,344	\$ 920,785						
Michael J. Snyder	20,000	(8)	3.65	%	\$ 51.75	4/14/2015	\$	\$						

(1) The potential realizable values are based on an assumption that the stock price of our common stock will appreciate at the annual rates shown, compounded annually, from the date of grant until the end of the option term. These values do not take into account amounts required to be paid as income taxes under the Internal Revenue Code and any applicable state laws or option provisions providing for termination of an option following termination of employment, non-transferability or vesting. These amounts are calculated based on the requirements promulgated by the SEC and do not reflect our estimate of future stock price growth of the shares of our common stock.

(2) All options granted in 2005 were granted under our 2004 performance incentive plan. Unless otherwise noted, each of the listed option grants shall become vested as to 25% of the total number of shares of common stock subject to the option on the first anniversary of the award date. The remaining 75% of the total number of shares of common stock subject to the option shall become vested in 36 substantially equal monthly installments, with the first installment vesting on the same day of the month following the month in which the first anniversary of the award date occurs and an additional installment vesting on the same day of each of the 35 months thereafter.

- (3) Based on an aggregate of 548,250 shares of our common stock subject to options granted to employees during 2005.
- (4) We grant options at an exercise price equal to the fair market value on the date of grant at the closing price as quoted by The NASDAQ National Market.
- (5) The term of each option we grant is ten years from the date of grant. Our options may terminate before their expiration date if the option holder's status as an employee is terminated or upon the option holder's death or disability.
- (6) This option grant vests ratably in substantially equal monthly installments over a one-year period beginning June 2, 2005.
- (7) This option grant vests ratably in substantially equal monthly installments over a two-year period beginning September 25, 2005.
- (8) This option grant was subsequently forfeited by Mr. Snyder pursuant to the terms of a Retirement and General Release Agreement dated August 10, 2005.

Aggregated Option Exercises and Values for Fiscal Year 2005

The table below sets forth the following information with respect to option exercises by each of the named executive officers during fiscal year 2005 and the status of their options at December 25, 2005:

Name	Number of Shares Acquired Upon Exercise		Value Realized Upon Exercise(1)		Number of Unexercised Options at December 25, 2005				Value of Unexercised In-the-Money Options at December 25, 2005(1)(2)			
	of Options		Exercise(1)		Exercisable		Unexercisable		Exercisable		Unexercisable	
Dennis B. Mullen	7,500		\$ 176,650		19,167		85,833		\$ 119,502		\$ 597,498	
Michael E. Woods			\$		22,917		37,083		\$ 766,144		\$ 594,006	
Robert J. Merullo			\$		18,543		31,457		\$ 652,129		\$ 447,496	
Eric C. Houseman	4,043		\$ 198,830		20,371		40,250		\$ 767,092		\$ 427,961	
Todd A. Brighton			\$		39,612		37,750		\$ 1,660,451		\$ 411,111	
Michael J. Snyder	68,333		\$ 1,865,847						\$		\$	

- (1) In accordance with SEC rules, values are calculated by subtracting the per share exercise price from the fair market value of the underlying common stock and multiplying such amount by the number of shares represented by the unexercised options.
- (2) For purposes of this table, fair market value is deemed to be \$52.96 per share, the closing price reported by The NASDAQ National Market on December 23, 2005.

Securities Authorized for Issuance Under Equity Compensation Plans

We maintain five equity-based compensation plans the 1996 Stock Option Plan (the 1996 Plan), the 2000 Management Performance Common Stock Option Plan (the 2000 Plan), the 2002 Incentive Stock Option Plan (the 2002 Plan), the 2004 Performance Incentive Plan and the Employee Stock Purchase Plan. Our stockholders have approved each of these plans.

The following table sets forth for our equity compensation plans in the aggregate, the number of shares of our common stock subject to outstanding options and rights under these plans, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants under these plans as of December 25, 2005 (in thousands, except exercise price data):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights (b)		Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)	
Equity compensation plans approved by security holders	1,110	(1)(2)	\$	34.11	1,407	(3)
Equity compensation plans not approved by security holders	N/A		N/A		N/A	
	1,110		\$	34.11	1,407	

(1) 22,179 of these shares were subject to options then outstanding under the 1996 Stock Plan; 91,331 of these shares were subject to options then outstanding under the 2000 Stock Plan; 374,760 of these shares were subject to options then outstanding under the 2002 Stock Plan; and 622,093 of these shares were subject to options then outstanding under the 2004 Performance Incentive Plan.

(2) Excludes 261,438 shares that were available for issuance under the employee stock purchase plan.

(3) Of the aggregate number of shares that remained available for future issuance, 261,438 shares were available for issuance under the employee stock purchase plan and 1,145,671 shares were available for issuance under the 2004 Performance Incentive Plan. Any shares subject to options granted under the employee stock purchase plan or the 1996 Stock Plan, the 2000 Stock Plan or the 2002 Stock Plan that are not exercised before they expire or are terminated will become available for additional award grants under the 2004 Performance Incentive Plan. No new awards may be granted under the 1996 Stock Plan, the 2000 Stock Plan or the 2002 Stock Plan.

Employment Agreements, Termination of Employment and Change-in-Control Arrangements

Employment Agreements and Termination of Employment Agreements

The following is a description of each employment agreement that we have with the named executive officers:

Dennis B. Mullen. On September 7, 2005 we entered into an employment agreement with Dennis B. Mullen, our chairman and chief executive officer. Pursuant to this agreement, if the company terminates Mr. Mullen without cause and the effective date of the termination is before August 31, 2007, Mr. Mullen is entitled to severance pay equal to six months of his then current base salary and a payment of the greater of 50% or a pro rata share of any annual incentive bonus for which he would have otherwise been eligible. If the termination becomes effective on or after August 31, 2007, Mr. Mullen is entitled to severance pay equal to his then current base salary for the remainder of what would have been the term under the

agreement had he not been terminated and a payment of a pro rata share of any annual incentive bonus for which he would have otherwise been eligible. The initial term of the agreement is through December 31, 2008, provided, however, that at anytime on or after February 28, 2007, either the company or Mr. Mullen may give six months written notice of termination. The agreement is subject to automatic renewal for six-month periods beginning December 31, 2008, unless either party delivers written notice at least 60 days prior to the renewal date. Mr. Mullen's base salary is \$625,000 for 2006. Mr. Mullen has a two-year covenant not to compete with the company and its subsidiaries in the casual dining restaurant business anywhere in North America and the territories of the U.S. in the Caribbean, including Puerto Rico.

Michael E. Woods. We entered into an employment agreement in January 1997 with Michael E. Woods, who is presently our senior vice president and chief knowledge officer. Pursuant to this agreement, Mr. Woods is entitled to severance pay equal to his then current base salary paid monthly for one year if he is terminated by us without cause. Mr. Woods' current base annual salary is \$283,000 for fiscal year 2006. Mr. Woods' employment agreement does not have a termination date.

Michael J. Snyder. On August 11, 2005, Michael J. Snyder retired as the company's chairman of the board of directors, president and chief executive officer. In connection with his retirement, Mr. Snyder entered into a written agreement with the company dated August 10, 2005 (the Retirement and General Release Agreement). The Retirement and General Release Agreement provided that Mr. Snyder was entitled to receive his salary, accrued vacation and other benefits customarily provided to employees of the company through August 31, 2005; Mr. Snyder's stock options terminated as of August 31, 2005; and Mr. Snyder reimbursed the company in the amount of \$1.25 million as full payment for certain expenses determined to be inconsistent with company policies or which lacked sufficient documentation. Mr. Snyder also agreed to a general release of claims against the company.

Change-in-Control Arrangements

The following is a description of each change-in-control provision that is contained within our stock option plans:

2000 Management Performance Common Stock Option Plan. Outstanding options under our 2000 Management Performance Common Stock Option Plan may become fully vested in connection with the sale or disposition of substantially all of our common stock or our assets. In addition, the plan administrator may provide for the assumption, substitution or settlement of the outstanding options under the 2000 Management Performance Common Stock Option Plan in the event of a control transfer. A control transfer is defined in the 2000 Management Performance Common Stock Option Plan and generally includes any person or group of persons who were not stockholders on April 30, 2000 becoming the owner of 50.0% or more of our outstanding voting shares, our merger, consolidation, or other reorganization in which any such person or group owns 50.0% or more of the outstanding voting shares of the surviving or resulting entity, or all or substantially all of our assets are sold or otherwise transferred to any such person or group.

2002 Stock Incentive Plan. Each award granted under the 2002 Stock Incentive Plan may, at the discretion of our board of directors or a committee appointed by our board of directors to administer the plan, become fully vested, exercisable, or payable, as applicable, upon a change in control event if the award will not be assumed or substituted for or otherwise continued after the event. A change of control, as defined in the 2002 Stock Incentive Plan, generally includes:

- stockholder approval of our dissolution or liquidation;
- certain changes in a majority of the membership of our board of directors over a period of two years or less;

- the acquisition of more than 30.0% of our outstanding voting securities by any person other than a person who held more than 20.0% of our outstanding voting securities as of the date that the 2002 Stock Incentive Plan was approved, a company benefit plan, or one of their affiliates, successors, heirs, relatives or certain donees or certain other affiliates;
- certain transfers of all or substantially all of our assets; and
- a merger, consolidation or reorganization (other than with an affiliate) whereby our stockholders do not own more than 50.0% of the outstanding voting securities of the resulting entity after such event.

In addition, if we terminate any participant's employment for any reason other than for cause either in express anticipation of, or within one year after a change in control event, then all awards held by that participant will vest in full immediately before his or her termination date. The plan administrator may also provide for alternative settlements (including cash payments), the assumption or substitution of awards or other adjustments in the event of a change of control event or in the context of any other reorganization of the company.

2004 Performance Incentive Plan. Generally, and subject to limited exceptions set forth in the 2004 Performance Incentive Plan, if any person acquires more than 30% of the outstanding common stock or combined voting power of the company, if certain changes in a majority of our board of directors occur over a period of not longer than two years, if stockholders prior to a transaction do not continue to own more than 50% of the voting securities of the company (or a successor or a parent) following a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the company or any of our subsidiaries, a sale or other disposition of all or substantially all of the company's assets or the acquisition of assets or stock of another entity by us or any of our subsidiaries, or if the company is dissolved or liquidated, then awards then-outstanding under the 2004 Performance Incentive Plan may become fully vested or paid, as applicable, and may terminate or be terminated in such circumstances. Unless otherwise provided by the Administrator, a change in control in and of itself generally will not trigger the accelerated vesting of awards granted under the 2004 Performance Incentive Plan unless the awards will not be assumed by a successor or will otherwise not continue following the change in control event. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2004 Performance Incentive Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a change in control event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

Compensation Committee Interlocks and Insider Participation

During 2005, our compensation committee consisted of Edward T. Harvey, Jr., James T. Rothe and Gary J. Singer. We did not compensate any of the current members of the compensation committee during 2005 other than for service on the board of directors. No member of our compensation committee and none of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee. Certain transactions and relationships between us and Mr. Singer, or the law firm in which he is a partner, are described below.

Transactions involving Mr. Singer. Mr. Singer is a partner with O Melveny & Myers LLP. We previously used O Melveny & Myers for representation on various legal matters, including SEC filings, acquisitions, financings, and other general corporate matters. As of December 25, 2005, the Company is no longer utilizing the services of this law firm, other than for de minimis transition matters.

COMPENSATION COMMITTEE REPORT

The following Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filing under the Securities Act of 1933 or the Securities Act of 1934, except to the extent the company specifically incorporates this Compensation Committee Report.

Overview

The compensation committee of the board of directors is currently comprised of James T. Rothe (chair), Edward T. Harvey, Jr. and Gary J. Singer. The compensation committee is responsible for oversight of the Company's compensation policies, strategies and pay levels for executive officers, directors and salaried employees. The compensation committee sets the chief executive officer's salary and benefits and may recommend the salary and benefits of other officers. It evaluates performance and recommends long-term and short-term incentive compensation and employee benefits for approval by the board of directors.

Compensation Philosophy

The goals of our compensation program are to align compensation with our company's business objectives and performance and to enable us to attract, retain and reward executive officers who contribute to our long-term success and to motivate them to enhance long-term stockholder value. In this regard, the compensation committee focuses on the following three components in determining the overall compensation package for our executive officers: base salary, annual incentive bonus and long-term equity incentives.

Strategic Planning

In establishing executive compensation, the compensation committee reviews and considers the information provided by the Company's human resources department concerning the Company's overall compensation and benefit structure. In addition, since 2002, the compensation committee has utilized the services of Frederic W. Cook & Co., Inc. (Cook), a nationally-recognized consulting firm, to advise it on compensation matters. In this capacity, Cook reviews our compensation program, compares it to the compensation programs of peer restaurant companies and trends in the market and makes recommendations to the compensation committee. Working with outside consultants in addition to the Company's internal human resources personnel helps the compensation committee design a competitive incentive program.

Annual Base Salary

The compensation committee annually reviews the base salary of the chief executive officer and consults with the chief executive officer to review annually the base salary compensation of our other executive officers. If appropriate, the compensation committee recommends for approval by the board of directors adjustments to the base salaries of executive officers based upon the committee's subjective assessment of individual executive officer performance, scope of responsibilities, salary levels paid by peer restaurant companies and market conditions. During 2005, the compensation committee utilized Cook's services to advise it on various compensation matters, including the level of annual base salaries paid to our executive officers.

Annual Performance-Based Incentive Plan

The compensation committee utilizes the cash bonus program under the 2004 Performance Incentive Plan to link executive bonuses with Company performance. Under the 2004 Performance Incentive Plan,

the compensation committee approves performance goals for officers that are tied to the company's annual performance and based upon the achievement of budgeted minimum, target and maximum EBITDA levels. The company's stockholders approved the 2004 Performance Incentive Plan in 2004, and bonuses provided under the 2004 are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (and therefore deductible by the company even if in excess of the \$1,000,000 limit described below). Officers from the regional director level through the chief executive officer are assigned target bonuses that are expressed as a percentage of their respective base salaries. The percentages generally increase as their level of responsibility increases. A bonus funding percentage tied to each officer's base salary is set to specified levels of EBITDA performance. These officers receive their target bonuses (subject to the Committee's discretion to negatively adjust bonuses for failure of officers to achieve pre-set personal objectives) if we achieve the targeted EBITDA. The bonus is graduated up or down if we exceed or do not meet the targeted EBITDA budget. No bonuses are given if the minimum EBITDA levels are not met, and bonuses are capped at a specified percentage of an officer's base salary that corresponds to the maximum prescribed EBITDA level. The EBITDA budget and the minimum, target and maximum EBITDA levels and bonus funding percentages are formulated by the compensation committee. The compensation committee considers, among other things, bonus levels paid by peer restaurant companies, market conditions and the advice of its compensation consultant. During 2005 and in setting bonus targets in 2006, the compensation committee utilized the information and recommendations provided by Cook in setting the bonus funding parameters.

Long Term Incentives

We believe that equity ownership by our key employees is a significant incentive in building stockholder wealth and aligning the interests of employees and stockholders. In accordance with the 2004 Performance Incentive Plan, the compensation committee makes grants of stock options to eligible employees each year based upon a variety of factors, including the committee's subjective assessment of the employee's performance, the amount of past option grants, and a comparison to total compensation paid to comparable-level employees at peer restaurant companies. Under the 2004 Performance Incentive Plan, we also have the ability to award other equity-based incentives such as stock appreciation rights or restricted stock, but have not done so to date. In 2005, the compensation committee approved annual grants, and grants made in consideration of promotions, to our chief executive officer and other executive officers including former executive officers of options to purchase a total of 247,500 shares of our common stock. In developing this recommendation, the compensation committee utilized the information and recommendations provided by Cook.

In June 2002, the company adopted, and its stockholders approved, an Employee Stock Purchase Plan. Under the ESPP, eligible employees may voluntarily contribute a percentage of their salary, subject to limitations, to purchase common stock at a discounted price. In general, all of the company's officers and employees who have been employed by the company for at least one year and who are regularly scheduled to work more than twenty hours per week are eligible to participate in this plan which operates in successive six-month periods commencing on each January 1 and July 1 of each fiscal year.

Compensation of Chief Executive Officer

Dennis B. Mullen was named Chief Executive Officer in August 2005 following the retirement of our former president and chief executive officer. We entered into an employment agreement with Mr. Mullen that provides that Mr. Mullen will receive an annual base salary at the rate of \$625,000, which is subject to review by the board of directors annually; provided that the annual base salary may not be reduced below \$625,000. Mr. Mullen received a one-time signing bonus of \$120,000, and he is eligible to participate in the cash bonus program under the 2004 Performance Incentive Plan to the same extent as other senior executive employees of the company. For 2005, Mr. Mullen received a bonus of \$222,321 and was granted

options to purchase 100,000 shares on August 25, 2005 at \$45.79 per share, the price of the company's stock on that day. For 2006, Mr. Mullen is eligible to receive a performance-based bonus of up to 135% of his base compensation under the cash bonus program of the 2004 Performance Incentive Plan if the company's EBITDA reaches certain performance goals.

Mr. Mullen is also entitled under his employment agreement to certain other benefits, including a monthly car allowance and the right to participate in all savings, retirement, medical, welfare and insurance plans and programs to the same extent as other senior executive employees of the company. In addition, the company has agreed to pay or reimburse Mr. Mullen for travel expenses he incurs commuting from his home in Arizona to the company's headquarters in Denver, Colorado, and to provide Mr. Mullen with the use of a furnished apartment in Denver. Mr. Mullen's commuting expenses are subject to periodic review for reasonableness by the chair of the compensation committee. Mr. Mullen may fly on charter or private aircraft to commute from Arizona to Denver, Colorado and otherwise for appropriate business use, subject in each case to his compliance with the Company's expense reimbursement and non-commercial aircraft use policies. Mr. Mullen will also receive a cash payment each year to reflect any increased tax liability resulting from the the company-paid commuting, air travel, and housing expenses (as well as the increased tax liability for receiving the payment itself).

The terms of the employment agreement were approved by the Board of Directors. For a further description of Mr. Mullen's employment arrangement, see Employment Agreements, Termination of Employment Agreements and Change-in-Control Arrangements.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code under the Omnibus Budget Reconciliation Act of 1993 limits the deductibility of compensation over \$1 million paid by a company to an executive officer. The policy of the compensation committee is to establish and maintain a compensation program that maximizes the creation of long-term stockholder value. The compensation committee attempts to generally structure most compensation approaches to ensure deductibility. However, the compensation committee reserves the right to adopt programs giving consideration to factors other than deductibility where the compensation committee believes stockholder interests are best served by retaining flexibility. In such cases, the compensation committee may consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its compensation objectives.

THE COMPENSATION COMMITTEE

James T. Rothe, Chair
Edward T. Harvey, Jr.
Gary J. Singer

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return of our common stock from July 19, 2002 (the date our stock began trading after our initial public offering) through December 25, 2005, against the cumulative total stockholder return of the Russell 3000® Index and S&P SmallCap Restaurant Index. The graph assumes that \$100 was invested on July 19, 2002 in our common stock, the Russell 3000® Index and S&P SmallCap Restaurant Index, and that all dividends, if any, were reinvested.

This graph will not be deemed to be incorporated by reference by any general statement incorporating this proxy statement into any of our filings under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not be deemed soliciting material or be deemed filed under either such Acts.

Comparison of Cumulative Total Return**CUMULATIVE TOTAL RETURN**

Based upon an initial investment of \$100 on July 19, 2002
with dividends reinvested

	7/19/02	12/29/02	12/28/03	12/26/04	12/25/05
Red Robin Gourmet Burgers, Inc.	\$ 100	\$ 105	\$ 245	\$ 430	\$ 433
Russell 3000	\$ 100	\$ 104	\$ 134	\$ 152	\$ 165
S&P® Small Cap Restaurants Index	\$ 100	\$ 98	\$ 131	\$ 159	\$ 168

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Compensation Committee Interlocks and Insider Participation elsewhere in this proxy statement for descriptions of certain transactions and relationships between us and Mr. Singer and the law firm in which he is a partner.

Robert J. Merullo, the company's senior vice president and chief concept officer, owns 7.0% of each of Mach Robin, LLC (Mach Robin) and an entity that directly or indirectly owns or controls 100% of Red Robin Restaurants of Canada, Ltd. (RRRC), which operate Red Robin® restaurants under franchise agreements in the U.S. and Canada, respectively. The company recognized royalty income from Mach Robin in the amounts of \$1.0 million during 2005 and \$959,000 from RRRC during 2005. Michael J. Snyder, our former chief executive officer owns 31% of Mach Robin and 31% of RRRC.

A relative of the company's former chief executive officer, Michael J. Snyder, operates an indoor plant maintenance supplier that the company used until mid-2005. The company paid this supplier \$357,000 in 2005. As of December 25, 2005, the company is no longer using this indoor plant maintenance supplier.

Certain legal costs have been advanced to certain directors and former executives under indemnification agreements in connection with the previously announced SEC investigation and related costs.

AUDIT COMMITTEE REPORT

The following Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filing under the Securities Act of 1933 or the Securities Act of 1934, except to the extent the company specifically incorporates this Audit Committee Report.

The audit committee is comprised of J. Taylor Simonton (chair), Edward T. Harvey, Jr. and Richard J. Howell. The audit committee is responsible for overseeing and evaluating the company's financial reporting process on behalf of the board of directors and for selecting and retaining the independent auditors.

Management has the primary responsibility for the company's financial reporting process, accounting principles, and internal controls as well as preparation of the company's financial statements in accordance with generally accepted accounting principles in the United States (GAAP). The independent auditors are responsible for performing audits of the company's consolidated financial statements, the effectiveness of the company's internal control over financial reporting and management's assessments of the effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing reports thereon. The audit committee is responsible for overseeing the conduct of these activities. It is not the audit committee's duty or responsibility to conduct auditing or accounting reviews or procedures or to independently verify the representations made by management and the independent auditors. The audit committee's considerations and discussions with management and the independent auditors do not assure that the company's financial statements are presented in accordance with GAAP or that the audits of the annual financial statements, the effectiveness of the company's internal control over financial reporting and management's assessment of the effectiveness of the company's internal control over financial reporting have been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), or that the independent auditors are, in fact, independent.

The audit committee has met and held discussions with management and the independent auditors on a regular basis. The audit committee plans and schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its responsibilities. The audit committee's meetings include, whenever appropriate, executive sessions with the independent auditors without the presence of the company's management. The audit committee has reviewed and discussed with both management and the

independent auditors the company's consolidated financial statements as of and for the year ended December 25, 2005, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. Management advised the audit committee that the financial statements were prepared in accordance with GAAP. The audit committee has relied on this representation, without independent verification, and on the representations of the independent auditors included in their report on the consolidated financial statements.

The audit committee discussed with the independent auditors the matters required to be discussed pursuant to Statement of Auditing Standards No. 61, Communication with Audit Committees, as amended by Statement on Auditing Standards No. 89, Audit Adjustments and Statement of Auditing Standards No. 90, Audit Committee Communications. The independent auditors have provided to the audit committee the written disclosures and the letter required by Independence Standards Board No. 1, Independence Discussions with Audit Committees, and the audit committee has discussed with the independent auditors their independence. The audit committee has also considered whether the independent auditors' provision of other non-audit services to the company is compatible with maintaining auditor independence. The audit committee has concluded that the provision of non-audit services by the independent auditors was compatible with the maintenance of independence in the conduct of their auditing functions.

Based upon our review and discussions with management and the independent auditors and the reports of the independent auditors, and in reliance upon such information, representations, reports and opinions, the audit committee recommended that the board of directors approve the audited financial statements for inclusion in the company's annual report on Form 10-K for the year ended December 25, 2005, and the board of directors accepted the audit committee's recommendations.

THE AUDIT COMMITTEE

J. Taylor Simonton, Chair
Edward T. Harvey, Jr.
Richard J. Howell

PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The firm of Deloitte & Touche LLP (Deloitte) served as our independent auditors for the 2005 fiscal year ended December 25, 2005. The audit committee of the board of directors has appointed Deloitte to serve for the current 2006 fiscal year ending December 31, 2006. Our board is requesting ratification by our stockholders of Deloitte's appointment. Representative of Deloitte will be present at the meeting, will have an opportunity to make a statement if they desire to do so, and will be available to respond to any questions that might arise.

In the event this proposal is defeated, the vote may be considered by our audit committee when it considers selecting other auditors for the next fiscal year. However, because of the difficulty and expense of making any substitution of auditors after the beginning of the fiscal year, Deloitte's appointment for the 2006 fiscal year will be permitted to stand unless our audit committee finds other reasons for making a change.

Ratification of the appointment of Deloitte & Touche LLP as our independent auditors for fiscal year 2006 requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual meeting.

Recommendation of the Board of Directors

Our board of directors recommends that you vote FOR ratification of the appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ending December 31, 2006.

Independent Auditors

Deloitte served as independent auditors for the purpose of auditing our consolidated financial statements for the fiscal year ended December 25, 2005 and will continue to serve as our independent auditors for the fiscal year ending December 31, 2006.

Principal Accountant Fees and Services

The following table summarizes the aggregate fees billed by Deloitte for the 2005 and 2004 fiscal years:

	2005	2004
Audit fees(a)	\$ 546,526	\$ 769,206
Audit-related fees(b)		\$ 12,315
Tax fees(c)		\$ 15,800
All other fees(d)	\$ 3,000	
Total	\$ 549,526	\$ 797,321

- (a) Fees for audit services consisted of the audit of our annual financial statements, statutory audits and reports on internal controls required by the Sarbanes-Oxley Act of 2002, reviews of our quarterly financial statements and fees related to a review of our Uniform Franchise Offering Circular. Audit services billed in 2004 also included fees of \$57,558 related to a review of our registration statement, which became effective in August 2004.
- (b) Audit-related services billed in 2004 related to agreed upon procedures performed in connection with our marketing funds.
- (c) Fees for tax services billed in 2004 consisted of professional services rendered in connection with assistance in obtaining state and county incentives related to relocation of our corporate headquarters.
- (d) All other fees billed in 2005 consisted of license fees related to Deloitte & Touche's proprietary web-based research database.

The audit committee considered whether Deloitte's provision of other non-audit services to the company is compatible with maintaining Deloitte's independence. The audit committee discussed these services with the independent auditor and company management to determine that the services are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants. The audit committee concluded that the provision of non-audit services by Deloitte was compatible with the maintenance of independence in the conduct of their auditing functions.

Audit Committee's Pre-Approval Policies and Procedures

The audit committee pre-approves all audit and non-audit services to be performed by Deloitte, and has established policies and procedures to ensure that the company is in full compliance with the requirements for pre-approval set forth in the Sarbanes-Oxley Act of 2002 and the SEC rules regarding auditor independence. These policies and procedures provide a mechanism by which management can request and secure pre-approval of audit and non-audit services in an orderly manner with minimal

disruption to normal business operations. The policies and procedures are detailed as to the particular service and do not delegate the audit committee's responsibility to management.

In accordance with these policies and procedures, management submits for approval audit and non-audit services that management may wish to have Deloitte perform during the fiscal year, accompanied by an estimated range of fees for each service to be performed. The audit committee approves or rejects each of the listed services and approves a range of fees for each service to be performed. Services cannot commence until such approval has been granted. Management is required to seek additional audit committee pre-approval when management becomes aware that any pre-approved service will result in actual fees greater than the fees initially approved. During the course of the year, the chair of the audit committee has the authority to pre-approve requests for services. At each subsequent audit committee meeting, the chair of the audit committee reports any interim pre-approvals since the last meeting.

Except for non-audit fees totaling less than 1 percent of total fees paid to Deloitte, all of the Audit-related fees, Tax fees and all other fees billed by Deloitte in 2005 were approved by the audit committee pursuant to SEC regulations concerning auditor independence.

ADDITIONAL INFORMATION

Householding of Proxy Materials. The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for us. Under this procedure, multiple stockholders who share the same last name and address will receive only one copy of the annual proxy materials, unless they notify us that they wish to continue receiving multiple copies. We have undertaken householding to reduce our printing costs and postage fees.

If you wish to opt-out of householding and continue to receive multiple copies of the proxy materials at the same address, you may do so at any time prior to thirty days before the mailing of proxy materials, which will typically be mailed in April of each year, by notifying us in writing at: Red Robin Gourmet Burgers, Inc., Attn: Shareholder Services, 6312 South Fiddler's Green Circle, Suite 200N, Greenwood Village, Colorado 80111, or by contacting us at (303) 846-6000. You also may request additional copies of the proxy materials by notifying us in writing at the same address or contacting us at (303) 846-6000, and we will undertake to deliver such additional copies promptly. If you share an address with another stockholder and currently are receiving multiple copies of the proxy materials, you may request householding by notifying us at the above referenced address or telephone number.

Proxy Solicitation Costs. The accompanying proxy is being solicited on behalf of the board of directors of our Company. The expense of preparing, printing and mailing the form of proxy and the material used in the solicitation thereof will be borne by our company. In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegram by our directors, officers, and employees at no additional compensation. Arrangements may also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such persons, and we may reimburse them for reasonable out-of-pocket expenses incurred by them in connection therewith.

Stockholder Communications with the Board and Directors. You may communicate with any director, the entire Board, the independent directors or any committee by sending a letter to the director, the Board, or the committee addressed to: Board of Directors, 6312 South Fiddler's Green Circle, Suite 200N, Greenwood Village, CO 80111, or by sending an e-mail to them at: Board@redrobin.com. The company's chief legal officer will review all communications, categorize them, and forward them to the appropriate

board member. Messages pertaining to administrative matters, ordinary business matters, personal grievances, and similar issues will be forwarded to the appropriate member of management.

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

ANNUAL REPORT ON FORM 10-K

We filed with the SEC an annual report on Form 10-K on February 23, 2006 for the fiscal year ended December 25, 2005. A copy of the annual report on Form 10-K has been mailed concurrently with this proxy statement to all of our stockholders entitled to notice of and to vote at the annual meeting. You may obtain a copy of the annual report on Form 10-K, without charge, by writing to Red Robin Gourmet Burgers, Inc., Attn: Shareholder Services, 6312 South Fiddler's Green Circle, Suite 200N, Greenwood Village, Colorado 80111.

By Order of the Board of Directors,
Annita M. Menogan
Secretary
Greenwood Village, Colorado
April 24, 2006

annual meeting of stockholders of

RED ROBIN GOURMET BURGERS, INC.

June 1, 2006

**If no direction is provided, this proxy will be voted
FOR the Class I nominees for director and
FOR Proposal 2.**

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

Please detach along perforated line and mail in the envelope provided.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPOSAL 2.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE
OR BLACK INK AS SHOWN HERE** 

1. The election of three (3) Class I directors for three-year terms.

.. FOR ALL NOMINEES

NOMINEES:

.. Richard J. Howell

.. James T. Rothe

.. J. Taylor Simonton

.. WITHHOLD AUTHORITY
FOR ALL NOMINEES

.. FOR ALL EXCEPT

Explanation of Responses:

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(See instructions below)

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: ý

2. Ratification of the appointment of Deloitte & Touche as our independent auditors for the fiscal year ending December 31, 2006	FOR ..	AGAINST ..	ABSTAIN ..
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3. To transact such other business as may properly come before the meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR PROPOSAL 2.

SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AT THE MEETING IN ACCORDANCE WITH THE STOCKHOLDER S SPECIFICATIONS ABOVE. THIS PROXY CONFERS DISCRETIONARY AUTHORITY IN RESPECT TO MATTERS NOT KNOWN OR DETERMINED AT THE TIME OF THE MAILING OF THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS TO THE UNDERSIGNED.

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The undersigned hereby acknowledges receipt of the notice of annual meeting of stockholders, proxy statement and 2005 annual report on Form 10-K.

Dated: _____, 2006.

Signature(s) of Stockholder(s)

Address

City, State, Zip

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF
RED ROBIN GOURMET BURGERS, INC. PLEASE SIGN AND RETURN THIS PROXY IN
THE ENCLOSED PRE-ADDRESSED ENVELOPE. THE GIVING OF A PROXY WILL NOT
AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.**

The undersigned hereby appoints Dennis B. Mullen and Katherine L. Scherping, and each of them, as proxies, each with full power of substitution, to represent and vote as designated on the reverse side, all the shares of Common Stock of Red Robin Gourmet Burgers, Inc. held of record by the undersigned on April 17, 2006 at the Annual Meeting of Stockholders to be held at the corporate headquarters of Red Robin Gourmet Burgers, Inc. located at 6312 S. Fiddler's Green Circle, Suite 200N, Greenwood Village, Colorado 80111, on June 1, 2006, or any adjournment or postponement thereof.

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This proxy authorizes each of the persons named above to vote at his or her discretion on any other matter that may properly come before the meeting or any postponement or adjournment thereof. If this card contains no specific voting instructions, my (our) shares will be voted in accordance with the recommendation of the Board of Directors.
