

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 30, 2012
or
 Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number: 000-24743

BUFFALO WILD WINGS, INC.
(Exact name of registrant as specified in its charter)

Minnesota
(State or Other Jurisdiction of
Incorporation or Organization)

No. 31-1455915
(IRS Employer
Identification No.)

5500 Wayzata Boulevard, Suite 1600, Minneapolis, MN 55416
(Address of Principal Executive Offices)

Registrant's telephone number (952) 593-9943

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 a checkmark 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act). YES NO

The aggregate market value of the voting stock held by non-affiliates was \$1.5 billion based on the closing sale price of the Company's Common Stock as reported on the NASDAQ Stock Market on June 22, 2012.

The number of shares outstanding of the registrant's common stock as of February 11, 2013: 18,635,931 shares.

DOCUMENTS INCORPORATED BY REFERENCE

_____ Portions of the Proxy Statement for the 2013 Annual Meeting of Shareholders are incorporated by reference into Part III of this report. _____

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PART I

ITEM 1. BUSINESS

General

References in this document to “Buffalo Wild Wings,” “company,” “we,” “us” and “our” refer to the business of Buffalo Wild Wings, Inc. and our subsidiaries. We maintain an Internet website address at www.buffalowildwings.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as they are reasonably available after these materials are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”). These materials are also accessible on the SEC’s web site at www.sec.gov. The public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information from the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We are an established and growing owner, operator, and franchisor of restaurants featuring a variety of boldly-flavored, craveable menu items including our Buffalo, New York-style chicken wings spun in any of our 16 signature sauces or 5 signature seasonings. Our restaurants create a welcoming neighborhood atmosphere that includes an extensive multi-media system, a full bar and an open layout, which appeals to sports fans and families alike. We differentiate our restaurants by the social environment we create and the connection we make with our Team Members, guests and the local community. Our guests have the option of watching sporting events or other popular programs on our projection screens and approximately 50 additional televisions, competing in Buzztime® Trivia or playing video games. The open layout of our restaurants offers dining and bar areas that provide distinct seating choices for sports fans and families. Our flexible restaurants allow our guests to customize their Buffalo Wild Wings® experience to meet their time demands, service preferences or the experience they are seeking of a workday lunch, a dine-in dinner, a take-out meal, an afternoon or evening enjoying a sporting event or a late-night craving. Buffalo Wild Wings® restaurants are the place people want to be; where any excuse to get together is a good one.

Buffalo Wild Wings® restaurants have widespread appeal and have won dozens of “Best Wings” and “Best Sports Bar” awards across the country. Our made-to-order menu items are enhanced by the bold flavor profile of our 16 signature sauces and 5 signature seasonings, ranging from Sweet BBQ™ to Blazin’®. Our restaurants offer 20 to 30 domestic and imported beers on tap, including craft brews, and a wide selection of bottled beers, wines, and liquor. Our award-winning food and memorable experience drive guest visits and loyalty.

We have established our brand through coordinated marketing and operational execution that ensures brand recognition and quality and consistency throughout our concept. These efforts include marketing programs and irreverent advertising to support both our company-owned and franchised restaurants. We also prominently feature our trademark Buffalo insignias, yellow and black colors, sports memorabilia, dozens of televisions and projection screens, and exterior trade dress at our restaurants and as branding for our company materials. Our concept is further strengthened by our emphasis on operational excellence supported by operating guidelines and employee training in both company-owned and franchised restaurants.

Buffalo Wild Wings was founded in 1982 at a location near The Ohio State University. Our original name was Buffalo Wild Wings & Weck® and we became more popularly known as bw-3®. In 1991, we began our franchising program. In 2003, we completed an initial public offering and became a publicly-held company. Today, we are popular throughout the United States and Canada and widely recognized as Buffalo Wild Wings.

Our Concept and Business Strategy

Our goal is to continue to grow and develop the Buffalo Wild Wings® concept as a leading nationally and internationally recognized restaurant chain. To do so, we plan to execute the following strategies:

- *Continue to strengthen the Buffalo Wild Wings® brand;*
- *Deliver a unique guest experience;*
- *Offer boldly-flavored menu items with broad appeal;*
- *Create an inviting, neighborhood atmosphere;*
- *Focus on operational excellence;*
- *Open restaurants in new and existing domestic and international markets; and*
- *Increase same-store sales, average unit volumes, and profitability.*

North American Growth Strategy

We believe that we have established and continue to expand the necessary infrastructure and control systems to support our disciplined growth strategy and that our concept can support about 1,700 restaurants in North America. We have developed procedures for identifying new opportunities in both domestic and international markets, determining our expansion strategy in those markets and identifying sites for company-owned and franchised restaurants. Our current North American growth strategy is to continue to open both company-owned restaurants and franchised restaurants.

In most of our existing markets, we plan to continue to open new restaurants until a market is penetrated to a point that will enable us to gain marketing, operational, cost, and other efficiencies. We intend to enter new domestic and international markets by opening several restaurants within a one-year period to quickly build our brand awareness. We intend to grow our franchise system through the development of new restaurants by existing and new franchisees. We may grow our number of company-owned restaurants through the acquisition of franchised restaurants.

International Growth Strategy

We plan to embark upon our international growth, through development agreements with new and existing franchisees, and, potentially, through joint venture partnerships. We have two signed franchise development agreements for restaurants in the Middle East and Puerto Rico. A typical international franchise development agreement provides for payment of development fees and franchise fees in addition to subsequent royalty fees based on the gross sales of each restaurant. We expect development agreements and joint ventures for international locations to remain limited to organizations having significant experience as restaurant operators and proven financial ability to support and develop multi-unit and multi-brand operations.

The Buffalo Wild Wings® Menu

Our restaurants feature a variety of menu items including our Buffalo, New York-style chicken wings spun in one of our signature sauces from sweet to screamin' hot: Sweet BBQ, Teriyaki, Mild, Parmesan Garlic, Medium, Honey BBQ, Spicy Garlic, Jammin' Jalapeno™, Asian Zing®, Caribbean Jerk, Thai Curry™, Hot BBQ, Hot, Mango Habanero™, Wild® and Blazin'®; or signature seasonings: Buffalo, Desert Heat®, Chipotle BBQ, Lemon Pepper and Salt & Vinegar. Our chicken wings can be ordered in numbers ranging from six to 100 wings, with larger orders available for parties. Our sauces and seasonings complement and distinguish our wings and other menu offerings to create a bold flavor profile for our guests. In addition to traditional and boneless chicken wings, our menu features a wide variety of food items including Sharables, Wild Flatbreads™, specialty hamburgers and sandwiches, wraps, Buffalito® soft tacos, and salads. We also provide a 12 & Under Menu option for kids.

Our restaurants feature a full bar which offers an extensive selection of 20 to 30 domestic, imported, and craft beers on tap as well as bottled beers, wine and liquor. Additionally, in order to continually improve our menu, our research and development department continuously tests and introduces new menu items. Our goal is to balance the established menu offerings that appeal to our loyal guests with new menu items that increase guest frequency and attract new guests.

Restaurant Atmosphere and Layout

Our restaurants are sports grill and bars that provide a high-energy atmosphere where friends gather for camaraderie and to celebrate competition, as well as allow our guests the flexibility to customize their dining experience. The inviting and energetic environment of our restaurants is created using furnishings that can be easily rearranged to accommodate parties of various sizes. Our restaurants also feature distinct dining and bar areas, and many of the restaurants have patio seating.

We strategically place approximately 50 high-definition flat-screen monitors and up to 10 projection screens throughout the restaurant to allow for easy viewing. These televisions, combined with our sound system, Buzztime® Trivia and assorted video games, provide a source of entertainment for our guests and reinforce the energetic nature of our concept. We tailor the content and volume of our video and audio programming to reflect our guests' tastes. We believe the design of our restaurants enhances our guests' experiences, drives repeat visits and solidifies the broad appeal of our concept.

All of our menu items are made-to-order and are available for take-out, which approximated 14% of restaurant sales for company-owned restaurants in 2012. Many of our restaurants have separate parking spots for our take-out guests.

Current Restaurant Locations

As of December 30, 2012, we owned or franchised 891 Buffalo Wild Wings restaurants in North America, of which 381 were company-owned and 510 were franchised. In 2013, we expect to open approximately 100 company-owned and franchised restaurants.

Our company-owned restaurants range in size from 3,900 to 9,700 square feet, with a typical size of approximately 5,700 square feet for restaurants that opened in the last three years. We anticipate that future restaurants will range in size from 4,500 square feet to 6,500 square feet with an average cash investment per restaurant of approximately \$2.0 million, excluding preopening expenses of approximately \$280,000. From time to time, we expect that our restaurants may be smaller or larger or cost more or less than our targeted range, depending on the particular circumstances of the selected site, market, or country. Also, from time to time, we expect to purchase the building or the land and building for certain restaurants, in which case the cash investment would be significantly higher.

Our restaurants are typically open on a daily basis from 11 a.m. to 2 a.m., although closing times vary depending on the day of the week and applicable regulations governing the sale of alcoholic beverages. Our franchise agreements require franchisees to operate their restaurants for a minimum of 12 hours a day.

Site Selection and Development

Our site selection process is integral to the successful execution of our growth strategy. We have processes for identifying, analyzing and assigning undeveloped markets for both company-owned and franchise development. Once a market is assigned, we use a trade area and site selection evaluation process to assist in identifying suitable trade areas within that market and suitable sites within identified trade areas. Criteria examined to determine appropriate trade areas include the presence of a casual dining corridor, projected growth within the trade area, the locations of key big box retailers, key demographics and population density, drive time and trade area analysis and other quantitative and qualitative measures. Once a suitable trade area is identified, we examine site-specific details including visibility, signage, access, ability to get trade dress, and parking. We employ an opportunistic approach to real estate by developing end caps, freestanding units, and conversions in both urban and suburban trade areas. Final approval by one or more members of our Real Estate Committee is required for each company-owned site.

Marketing and Advertising

Since 1982, Buffalo Wild Wings has created a unique brand experience with a loyal fan base, award-winning wings and sauces, a variety of beers and an exciting social atmosphere. This unique experience, centered around sports, sets us apart from our competition. Our marketing programs are designed to build awareness of our brand with sports fans, encouraging them to visit and ultimately develop a personal connection to Buffalo Wild Wings. These programs consistently drive trial, same-store sales and average check, and they support strong restaurant openings.

Marketing Campaigns. Each marketing campaign has a theme that reflects guest lifestyles and behaviors. These lifestyles and behaviors are the cornerstone for creating key brand touch-points within each campaign that include media, promotions, partnerships, and food and beverage experiences that will encourage social interactions and bring each theme to life. For example, we promoted Tablegating™ at Buffalo Wild Wings in 2012, which provided our guests with an opportunity to watch all the games and enjoy featured food and beverage items. In addition, our local restaurant marketing efforts are designed to enhance community connections. Examples of this are our Home Team Advantage and Eat Wings, Raise Funds programs that connect our restaurants to local sports teams and community groups.

Advertising. Our media strategy is to build continuity throughout the year while still supporting our peak periods. Our primary media vehicles include national television in relevant programming to drive awareness and consideration, national and local radio to drive consideration and trial and digital and search to drive all three.

Franchise Involvement. System-wide campaigns and promotions are developed and implemented with input from the Buffalo Wild Wings Advertising Council. This volunteer board includes seven franchisees, elected by their peers, and meets regularly to review marketing strategies, provide input on advertising messages and vendor co-op programs, and discuss marketing objectives.

Operations

Our leadership team strives for operational excellence by recruiting, developing and supporting our highly qualified management teams and Team Members and implementing operational standards and best practices within our restaurants.

Restaurant Management. Our management structure consists of a General Manager, an Assistant General Manager and up to four other managers depending on sales volume of the restaurant. We utilize Regional Managers to oversee our General Managers in our company-owned locations, ensuring that they receive the training and support necessary to effectively operate their restaurants. Currently, we have 63 Regional Managers who oversee 3 to 8 restaurants each. As we expand geographically, we expect to add additional Regional Managers. Similarly, our franchised restaurants receive operational guidance from our 15 Franchise Consultants, who oversee 24 to 45 restaurants each. We have two Divisional Vice Presidents who have responsibility for all company-owned operations and nine Directors of Operations who provide leadership to the Regional Managers. We also have a Vice President of Franchising who has responsibility for all franchised restaurant operations and three Directors of Operations who provide leadership to the Franchise Consultants.

Kitchen Operations. An important aspect of our concept is the efficient design, layout and execution of our kitchen operations. Due to the relatively simple preparation of our menu items, the kitchen consists of fryers, grill and food prep stations that are arranged assembly-line style for maximum productivity. Given our menu and kitchen design, we are able to staff our kitchen with hourly Team Members who require only basic training before reaching full productivity. Additionally, we do not require the added expense of an on-site chef. The ease and simplicity of our kitchen operations allows us to achieve our goal of preparing casual dining quality food with minimal wait times.

Training. We provide thorough training for our management and hourly Team Members to prepare them for their role in delivering a positively engaging Buffalo Wild Wings experience for each and every guest.

Our managers are trained using a hands-on education process during a seven-week period at one of our Certified Training Restaurants. During this training period, our manager trainees work in and learn about key aspects of the business – from our culture to our core focus areas: Team, Guest, Quality Operations and Sales and Profits. This includes experience in both hourly and management functions.

After successful completion of the manager training program, the new managers work with their General Managers to build a tailored program to meet their training and development needs, specific to their assigned area of responsibility. A library of targeted modules covering both technical and managerial skills serves as the vehicle for this phase of learning. The program, which is progressive in nature, is also built around our core focus areas.

Later in their careers, our General Managers and high-potential Assistant General Managers attend a management skills class where they take a deeper look into bringing all of the core elements for success together to create the ultimate experience for our guests.

Our hourly Team Members complete a comprehensive position certification process. Position certification requires 16 to 20 hours of hands-on training. Team members must also successfully pass position validations, which include menu certifications, responsible alcohol service training, and training in the safe handling of food.

Hourly Restaurant Team Members who have demonstrated outstanding performance are provided opportunities for career advancement. Those with a high level of knowledge in one or more positions within the restaurant are encouraged to apply for the Wing Certified Trainer (WCT) program. The WCT candidate completes a training plan, which includes developing and evaluating his/her ability to train and influence the performance of Team Members. Our objective is to have at least four WCTs in each restaurant. Team Members who have performed successfully as Wing Certified Trainers in three or more station areas can apply to become All-Star Trainers. Our All-Star Trainers have the opportunity to travel around the country to assist with training at new restaurant openings.

Further, Team Members with management potential can participate in the Shift Leader program, which is a developmental program that provides hourly Team Members the opportunity to build and demonstrate leadership capabilities while providing the restaurants with leaders who are trained to support management. The Shift Leader program helps us to identify talent and build bench strength throughout the organization – through the selection and training of those who have demonstrated the initiative, desire, behaviors and competencies necessary for success in restaurant management, or other positions of leadership.

Career Opportunities. Through our training programs, we are able to motivate and retain our field operations team by providing them with opportunities for increased responsibilities and advancement. In addition, we offer performance-based incentives tied to sales, profitability and qualitative measures such as guest and team-related metrics. We strive for a balance of internal promotion and external hiring. This provides us with the ability to retain and grow our Team Members and to infuse our organization with talented individuals from outside of Buffalo Wild Wings.

Recruiting. We actively recruit and select individuals who demonstrate enthusiasm and dedication and who share our passion for high quality guest service delivered through teamwork and commitment. To attract high caliber managers, we have developed a competitive compensation plan that includes a base salary and an attractive benefits package, including participation in a management incentive plan that rewards managers for achieving restaurant performance objectives.

Food Preparation, Quality Control and Purchasing

We strive to maintain high quality standards. Our systems are designed to protect our food supply, from procurement through the preparation process. We provide detailed specifications to suppliers for our food ingredients, products and supplies. Our restaurant managers are certified in a comprehensive food safety and sanitation course, ServSafe®, which was developed by the National Restaurant Association Educational Foundation.

We negotiate directly with independent suppliers for our supply of food and paper products. Domestically, we use UniPro Food Services, Inc. to distribute these products to our restaurants. We have signed a new distribution contract that covers food, paper, and non-food products and began transitioning locations to the new provider in December 2012 with full rollout expected to be completed by June 2013. To maximize our purchasing efficiencies and obtain the lowest possible prices for our ingredients, products and supplies, our purchasing team negotiates prices based on the system-wide usage of both company-owned and franchised restaurants. We believe that competitively-priced, high-quality alternative manufacturers, suppliers, growers and distributors are available should the need arise.

T. Marzetti Company produces our signature sauces, and they maintain sufficient inventory levels to ensure consistent supply to our restaurants. We own the formulas for our sauces and seasonings, which prevents them from being supplied to, or manufactured for, anyone else.

Chicken wings are an important component of our cost of sales. We work to counteract the effect of the volatility of chicken wing prices, which can affect our cost of sales and cash flow, with the introduction of new menu items, effective marketing promotions, focused efforts on food costs and waste, and menu price increases. We also explore purchasing strategies to reduce the severity of cost increases and fluctuations. Current month chicken wing prices are determined based on the average of the previous month's spot rates, but if a satisfactory long-term pricing agreement for chicken wings were to arise, we would consider locking in prices to reduce our price volatility.

Restaurant Franchise Operations

Our concept continues to attract a strong group of franchisees, many of whom have substantial prior restaurant operations experience. Our franchisees execute a separate franchise agreement for each restaurant opened, typically providing for a 20-year initial term, with an opportunity to enter into a renewal franchise agreement subject to certain conditions. The initial franchise fee for a single restaurant is \$40,000.

Franchisees typically pay us a royalty fee of 5.0% of their restaurant sales. We also assess franchisees an advertising fee in the amount of 3.5% of their restaurant sales, of which 3.0% was contributed to our National Advertising Fund in 2012 and the remaining 0.5% was spent directly by the franchisee or through marketing co-ops in the applicable local market. Our current form of franchise agreement permits us to increase the royalty fee and to increase the required contribution to the Advertising Fund by 0.5% once every three years. The royalty fee and advertising fee are not expected to increase in 2013.

All of our franchise agreements require that each franchised restaurant operate in accordance with our defined operating procedures, adhere to the menu established by us, meet applicable quality, service, health and cleanliness standards and comply with all applicable laws. We ensure these high standards are being followed through a variety of means including mystery shoppers and announced and unannounced quality assurance inspections by our franchise consultants. We may terminate the franchise rights of any franchisee who does not comply with our standards and requirements. We believe that maintaining superior food quality, an inviting and energetic atmosphere and excellent guest service are critical to the reputation and success of our concept; therefore, we consistently enforce the contractual requirements of our franchise agreements.

The area development agreement establishes the number of restaurants that must be developed in a defined geographic area and the deadlines by which these restaurants must open. For area development agreements covering three to seven restaurants, restaurants are often required to open in approximately 12-month intervals. For larger development agreements, the interval is typically shorter. The area development agreement can be terminated by us if, among other reasons, the area developer fails to open restaurants on schedule.

We work hard to maintain positive and productive relationships with our franchisees. In 2005, we formed the Buffalo Wild Wings Leadership Council, which is an advisory board made up of six franchisees elected by their peers that meets three times a year in person with our senior leaders and holds monthly conference calls. We also have other councils of franchisees whom we consult with periodically on specific matters.

Information Technology

We utilize a standard point-of-sale system in all of our company-owned restaurants which is integrated to our central offices through a secure, high-speed connection. Visibility to sales, cost of sales, labor and other operating metrics is provided to company-owned restaurant management through web-based decision support and analysis tools. Franchisees are required to report sales on a daily basis through an on-line reporting network and submit their restaurant-level financial statements on a quarterly and annual basis. This year we completed the rollout of a new point-of-sale and web-based back office system in all company-owned restaurants. We also upgraded our kitchen management system that provides automation and reporting of cook line performance, including speed-of-service and order accuracy.

Competition

The restaurant industry is intensely competitive. We compete on the basis of the taste, quality and price of food offered, guest service, ambience, location, and overall guest experience. We believe that our attractive price-value relationship, the atmosphere of our restaurant, our sports viewing experience, our focus on our guest and the quality and distinctive flavor of our food enable us to differentiate ourselves from our competitors. We believe we compete primarily with local and regional sports bars and national casual dining and quick casual establishments, and to a lesser extent with quick service restaurants such as wing-based take-out concepts. Many of our direct and indirect competitors are well-established national, regional or local chains and some have greater financial and marketing resources than we do. We also compete with other restaurant and retail establishments for site locations and restaurant Team Members.

Proprietary Rights

We own the rights to the "Buffalo Wild Wings[®]" service mark and to certain other service marks and trademarks used in our system. We attempt to protect our sauce recipes as trade secrets by, among other things, requiring a confidentiality agreement with our sauce supplier and executive officers. It is possible that competitors could develop recipes and procedures that duplicate or closely resemble our recipes and procedures. We believe that our trademarks, service marks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concept. We vigorously protect our proprietary rights. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon, or otherwise similar to, our concept. It may be difficult for us to prevent others from copying elements of our concept and any litigation to enforce our rights will likely be costly and may not be successful. Although we believe that we have sufficient rights to all of our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and divert resources from our business. Moreover, if we are unable to successfully defend against such claims, we may be prevented from using our trademarks or service marks in the future and may be liable for damages.

Government Regulation

The restaurant industry is subject to numerous federal, state and local governmental regulations, including those relating to the preparation and sale of food and alcoholic beverages, sanitation, public health, fire codes, zoning, and building requirements. Each restaurant requires appropriate licenses from regulatory authorities allowing it to sell liquor, beer and wine, and each restaurant requires food service licenses from local health authorities. Our licenses to sell alcoholic beverages must be renewed annually and may be suspended or revoked at any time for cause, including violation by us or our employees of any law or regulation pertaining to alcoholic beverage control, such as those regulating the minimum age of employees or patrons who may serve or be served alcoholic beverages, the serving of alcoholic beverages to visibly intoxicated patrons, advertising, wholesale purchasing and inventory control. In order to reduce this risk, restaurant employees are trained in standardized operating procedures designed to assure compliance with all applicable codes and regulations. As we expand into international markets we are taking on additional responsibilities under the Foreign Corrupt Practices Act and similar local regulations. We have implemented policies, procedures and training to ensure compliance with these regulations.

We and our franchisees are also subject to laws governing our relationship with employees. Our failure or the failure of our franchisees to comply with international, federal, state and local employment laws and regulations may subject us to losses and harm our brands. The laws and regulations govern such matters as wage and hour requirements; workers' compensation insurance; unemployment and other taxes; working and safety conditions, and citizenship and immigration status. Significant additional government-imposed regulations under the Fair Labor Standards Act and similar laws related to minimum wages, overtime, rest breaks, paid leaves of absence, mandated health benefits, may also impact the performance of company and franchised operations. In addition, employee claims based on, among other things, discrimination, harassment, wrongful termination, wage and hour requirements and payments to employees who receive gratuities, may divert financial and management resources and adversely affect operations. The losses that may be incurred as a result of any violation of such governmental regulations by the company or our franchisees are difficult to quantify.

We are also subject to licensing and regulation by state and local departments relating to the service of alcoholic beverages, health, sanitation, and fire and safety standards. Compliance with these laws and regulations may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation. We may also be subject in certain states to “dram-shop” statutes, which generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. In addition, we are subject to various state and federal laws relating to the offer and sale of franchises and the franchisor-franchisee relationship. In general, these laws and regulations impose specific disclosure and registration requirements prior to the sale and marketing of franchises and regulate certain aspects of the relationship between franchisor and franchisee.

Because of gaming operations in our Nevada facilities, the ownership and operation of those facilities are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder, as well as various local regulations related to gaming. Our gaming operations are also subject to the licensing and regulatory control of the Nevada Gaming Commission, the Nevada State Gaming Control Board and various county and city licensing agencies. These gaming laws, regulations, and supervisory procedures are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- providing reliable record keeping and requiring the filing of periodic reports with the gaming authorities;
- the prevention of cheating and fraudulent practices; and
- providing a source of state and local revenues through taxation and licensing fees.

Any change in such laws, regulations, and procedures could have an adverse effect on the gaming operations in our Nevada facilities. Additional information regarding regulation related to gaming in our Nevada facilities can be found in Exhibit 99.1 to this Form 10-K.

Team Members

As of December 30, 2012, we employed approximately 25,500 Team Members. We have approximately 2,800 full-time and 22,300 part-time Team Members working in our company-owned restaurants and 400 Team Members based out of our home office or in field management positions. Our Team Members are not covered by any collective bargaining agreement, and we have never experienced an organized work stoppage or strike. We believe that our working conditions and compensation packages are competitive and consider our relations with our Team Members to be good.

Executive Officers

The following sets forth certain information about our executive officers:

Sally J. Smith, 55, has served as our Chief Executive Officer and President since July 1996 and as a director since August 1996. She served as our Chief Financial Officer from 1994 to 1996. Prior to joining Buffalo Wild Wings, she was the Chief Financial Officer of Dahlberg, Inc., the manufacturer and franchisor of Miracle-Ear hearing aids, from 1983 to 1994. Ms. Smith began her career with KPMG LLP, an international accounting and auditing firm. Ms. Smith holds an inactive CPA license. She serves on the boards of the National Restaurant Association and Alerus Financial Corporation.

Mary J. Twinem, 52, has served as our Executive Vice President, Chief Financial Officer and Treasurer since July 1996. She served as our Controller from January 1995 to July 1996. Ms. Twinem also served as a director on our Board from June 2002 to September 2003. Prior to joining Buffalo Wild Wings, she served as the Director of Finance/Controller of Dahlberg, Inc. from 1989 to December 1994. Ms. Twinem began her career in public accounting and holds an inactive CPA license. She serves on the boards of the Minnesota Restaurant Association and Mendota Holdings, Inc.

Kathleen M. Benning, 50, has served as our Executive Vice President, Global Brand and Business Development since October 2011. She served as Executive Vice President, Global Marketing and Brand Development from January 2010 until October 2011. She joined us in March 1997 as Vice President of Marketing and served as Senior Vice President, Marketing and Brand Development from January 2002 until December 2009. From 1992 to 1997, Ms. Benning was employed by Nemer, Fieger & Associates, an advertising agency, where she was a partner from 1994 to 1997.

James M. Schmidt, 53, has served as our Chief Operating Officer since January 2011. He served as our Executive Vice President since December 2006 and as General Counsel from April 2002 to January 2011. He served as either Vice President or Senior Vice President from April 2002 until December 2006. Mr. Schmidt also served as our Secretary from September 2002 until January 2011, and he served as a director on our Board from 1994 to September 2003. From 1997 to 2002, Mr. Schmidt was an attorney with the law firm of Robbins, Kelly, Patterson & Tucker.

Judith A. Shoulak, 53, has served as our Executive Vice President, North American Operations since October 2011. She served as Executive Vice President, Global Operations and Human Resources from January 2010 until October 2011, as our Senior Vice President, Operations, from March 2004 to December 2009, Senior Vice President, Human Resources from January 2003 to February 2004 and Vice President of Human Resources from October 2001 to January 2003. From 1993 to 2001, Ms. Shoulak served as Vice President of Field Human Resources of OfficeMax Incorporated.

Lee R. Patterson, 39, has served as our Senior Vice President, Guest Experience and Innovation since October 2011. He served as Senior Vice President, Information Technology from January 2011 until October 2011 and as our Vice President, Information Technology from January 2008 until January 2011. Mr. Patterson was with Applebee's International, Inc. from May 2003 to January 2008, serving most recently as Director of Restaurant Systems.

Andrew D. Block, 44, has served as our Senior Vice President, Talent Management since January 2012. He served as Vice President, Talent Management from April 2010 until January 2012. Mr. Block served as Director of Human Resources at C. H. Robinson Worldwide from December 2002 to April 2011. From March 1996 to December 2002 Mr. Block was with Wells Fargo Home Mortgage as Director of Human Resources. Earlier in his career Mr. Block worked in the Human Resources field for Ecolab and a subsidiary of Sony Corporation of America.

Emily C. Decker, 33, has served as our Vice President, General Counsel and Secretary since January 2011. She served as our Franchise Attorney from August 2007 until January 2011. From September 2004 to July 2007, Ms. Decker was an Associate at Briggs and Morgan, P.A., which provides legal services to us from time to time.

ITEM 1A. RISK FACTORS

This Form 10-K, including the discussions contained in Items 1 and 7, contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on current expectations or beliefs concerning future events. Such statements can be identified by the use of terminology such as "anticipate," "believe," "estimate," "expect," "intend," "may," "could," "possible," "plan," "project," "will," "forecast" and similar words or expressions. Our forward-looking statements generally relate to our growth strategy, financial results, sales efforts, franchise expectations, restaurant openings and related expense, and cash requirements. Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. While it is not possible to foresee all of the factors that may cause actual results to differ from our forward-looking statements, such factors include, among others, the risk factors that follow. Investors are cautioned that all forward-looking statements involve risks and uncertainties and speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement. We believe that all material risk factors have been discussed below.

Fluctuations in chicken wing prices could impact our operating income.

A primary food product used by our company-owned and franchised restaurants is chicken wings. We work to counteract the effect of the volatility of chicken wing prices, which can significantly change our cost of sales and cash flow, with the introduction of new menu items, effective marketing promotions, focused efforts on food costs and waste, and menu price increases. We also explore purchasing strategies to reduce the severity of cost increases and fluctuations. Current month chicken wing prices are determined based on the average of the previous month's spot rates, but if a satisfactory long-term pricing agreement for chicken wings were to arise, we would consider locking in prices to reduce our price volatility. Chicken wing prices in 2012 averaged 62.8% higher than 2011 as the average price per pound increased to \$1.97 in 2012 from \$1.21 in 2011. These prices were historically low in 2011 and historically high in 2012. If there is a significant rise in the price of chicken wings, and we are unable to successfully adjust menu prices or menu mix or otherwise make operational adjustments to account for the higher wing prices, our operating results could be adversely affected. For example, chicken wings accounted for approximately 27%, 19%, and 24% of our cost of sales in 2012, 2011, and 2010, respectively, with an annual average price per pound of \$1.97, \$1.21, and \$1.58, respectively. A 10% increase in the chicken wing costs for 2012 would have increased restaurant cost of sales by approximately \$8.3 million. Additional information related to chicken wing prices is included in Item 7 under "Results of Operations."

If we are unable to successfully open new restaurants, our revenue growth rate and profits may be reduced.

To successfully expand our business, we must open new Buffalo Wild Wings® restaurants on schedule and in a profitable manner. In the past, we and our franchisees have experienced delays in restaurant openings and we may experience similar delays in the future. Delays in opening new restaurants could hurt our ability to meet our growth objectives, which may affect our results of operations, the expectations of securities analysts and shareholders and thus our stock price. We cannot guarantee that we or our franchisees will be able to achieve our expansion goals. Further, any restaurants that we, or our franchisees, open may not achieve operating results similar or better than our existing restaurants. If we are unable to generate positive cash flow from a new restaurant, we may be required to recognize an impairment loss with respect to the assets for that restaurant. Our ability to expand successfully will depend on a number of factors, many of which are beyond our control. These factors include:

- Negotiating acceptable lease or purchase terms for new restaurants;
- Cost effective and timely planning, design and build-out of restaurants;
- Creating guest awareness of our restaurants in new markets;
- Competition in new and existing markets;
- Impact of inclement weather, natural disasters, and other calamities; and
- General economic conditions.

We must identify and obtain a sufficient number of suitable new restaurant sites for us to sustain our growth.

We require that all proposed restaurant sites, whether for company-owned or franchised restaurants, meet our site selection criteria. We may make errors in selecting these criteria or applying these criteria to a particular site, or there may be an insignificant number of new restaurant sites meeting these criteria that would enable us to achieve our planned expansion in future periods. We face significant competition from other restaurant companies and retailers for sites that meet our criteria and the supply of sites may be limited in some markets. Further, we may be precluded from acquiring an otherwise suitable site due to an exclusivity restriction held by another tenant. As a result of these factors, our costs to obtain and lease sites may increase, or we may not be able to obtain certain sites due to unacceptable costs. Our inability to obtain suitable restaurant sites at reasonable costs may reduce our growth.

Shortages or interruptions in the availability and delivery of food and other supplies may increase costs or reduce revenues.

Possible shortages or interruptions in the supply of food items and other supplies to our restaurants caused by inclement weather, terrorist attacks, natural disasters such as floods, drought and hurricanes, pandemics, the inability of our vendors to obtain credit in a tightened credit market, food safety warnings or advisories or the prospect of such pronouncements, or other conditions beyond our control could adversely affect the availability, quality and cost of items we buy and the operations of our restaurants. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to our restaurant operations.

We may experience higher-than-anticipated costs associated with the opening of new restaurants or with the closing, relocating, and remodeling of existing restaurants, which may adversely affect our results of operations.

Our revenues and expenses can be impacted significantly by the location, number, and timing of the opening of new restaurants and the closing, relocating, and remodeling of existing restaurants. We incur substantial pre-opening expenses each time we open a new restaurant and incur other expenses when we close, relocate, or remodel existing restaurants. These expenses are generally higher when we open restaurants in new markets, but the costs of opening, closing, relocating or remodeling any of our restaurants may be higher than anticipated. An increase in such expenses could have an adverse effect on our results of operations.

Our restaurants may not achieve market acceptance in the new domestic and international geographic regions we enter.

Our expansion plans depend on opening restaurants in new domestic and international markets where we or our franchisees have little or no operating experience. We may not be successful in operating our restaurants in new markets on a profitable basis. The success of these new restaurants will be affected by the different competitive conditions, consumer tastes, and discretionary spending patterns of the new markets as well as our ability to generate market awareness of the Buffalo Wild Wings® brand. Sales at restaurants opening in new markets may take longer to reach profitable levels, if at all.

New restaurants added to our existing markets may take sales from existing restaurants.

We and our franchisees intend to open new restaurants in our existing markets, which may reduce sales performance and guest visits for existing restaurants in those markets. In addition, new restaurants added in existing markets may not achieve sales and operating performance at the same level as established restaurants in the market.

Failure of our internal controls over financial reporting could harm our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our stock.

Economic conditions could have a material adverse impact on our landlords or other tenants in retail centers in which we or our franchisees are located, which in turn could negatively affect our financial results.

Our landlords may be unable to obtain financing or remain in good standing under their existing financing arrangements, resulting in failures to pay required construction contributions or satisfy other lease covenants to us. In addition other tenants at retail centers in which we or our franchisees are located or have executed leases may fail to open or may cease operations. If our landlords fail to satisfy required co-tenancies, such failures may result in us or our franchisees terminating leases or delaying openings in these locations. Also, decreases in total tenant occupancy in retail centers in which we are located may affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our operations.

An impairment in the carrying value of our goodwill or other intangible assets could adversely affect our financial condition and consolidated results of operations.

Goodwill represents the excess of cost over the fair value of identified net assets of business acquired. We review goodwill for impairment annually, or whenever circumstances change in a way which could indicate that impairment may have occurred. Goodwill is tested at the reporting unit level. We identify potential goodwill impairments by comparing the fair value of the reporting unit to its carrying amount, which includes goodwill and other intangible assets. The fair value of the reporting unit is calculated using a market approach. If the carrying amount of the reporting unit exceeds the fair value, this is an indication that impairment may exist. We calculate the amount of the impairment by comparing the fair value of the assets and liabilities to the fair value of the reporting unit. The fair value of the reporting unit in excess of the value of the assets and liabilities is the implied fair value of the goodwill. If this amount is less than the carrying amount of goodwill, impairment is recognized for the difference. A significant amount of judgment is involved in determining if an indication of impairment exists. Factors may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and slower growth rates. Any adverse change in these factors would have a significant impact on the recoverability of these assets and negatively affect our financial condition and consolidated results of operations. We compute the amount of impairment by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. We are required to record a non-cash impairment charge if the testing performed indicates that goodwill has been impaired.

We evaluate the useful lives of our intangible assets to determine if they are definite- or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures, and the expected lives of other related groups of assets.

We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

We are dependent on franchisees and their success.

Currently, approximately 57% of our restaurants are franchised. Franchising royalties and fees represented approximately 7.4%, 8.6%, and 9.5% of our revenues during fiscal 2012, 2011, and 2010, respectively. Our performance depends upon (i) our ability to attract and retain qualified franchisees, (ii) the franchisees' ability to execute our concept and capitalize upon our brand recognition and marketing, and (iii) franchisees' ability to timely develop restaurants. We may not be able to recruit franchisees who have the business abilities or financial resources necessary to open restaurants on schedule, or who will conduct operations in a manner consistent with our concept and standards. Also, our franchisees may not be able to operate restaurants in a profitable manner.

Franchisees may take actions that could harm our business.

Franchisees are independent contractors and are not our employees. We provide training and support to franchisees, but the quality of franchised restaurant operations may be diminished if franchisees do not operate restaurants in a manner consistent with our standards and requirements, or if they do not hire and train qualified managers and other restaurant personnel. If franchisees do not adequately manage their restaurants, our image and reputation, and the image and reputation of other franchisees, may suffer materially and system-wide sales could significantly decline. In addition, we may also face potential claims and liabilities due to the acts of our franchisees based on agency or vicarious liability theories.

We could face liability from our franchisees.

A franchisee or government agency may bring legal action against us based on the franchisee/franchisor relationships. Various state and federal laws govern our relationship with our franchisees and our potential sale of a franchise. If we fail to comply with these laws, we could be liable for damages to franchisees and fines or other penalties. Expensive litigation with our franchisees or government agencies may adversely affect both our profits and our important relations with our franchisees.

We may be unable to compete effectively in the restaurant industry.

The restaurant industry is intensely competitive. We believe we compete primarily with regional and local sports bars, casual dining and quick casual establishments, and to a lesser extent, quick service wing-based take-out concepts and quick service restaurants. In addition, independent owners of local or regional establishments may enter the wing-based restaurant business without significant barriers to entry and such establishments may provide price competition for our restaurants. Competition in the casual dining, quick casual and quick service segments of the restaurant industry is expected to remain intense with respect to price, service, location, concept and the type and quality of food. We also face intense competition for real estate sites, qualified management personnel, and hourly restaurant staff.

Our success depends substantially on the value of our brand and our reputation for offering guests an unparalleled guest experience.

We believe we have built a strong reputation for the quality and breadth of our menu items as part of the total experience that guests enjoy in our restaurants. We believe we must protect and grow the value of our brand to continue to be successful in the future. Any incident that erodes consumer trust in or affinity for our brand could significantly reduce its value. If consumers perceive or experience a reduction in food quality, service, or ambiance, or in any way believe we failed to deliver a consistently positive experience, our brand value could suffer.

Our inability to successfully and sufficiently raise menu prices could result in a decline in profitability.

We utilize menu price increases to help offset cost increases, including increased cost for commodities, minimum wages, employee benefits, insurance arrangements, construction, utilities, and other key operating costs. If our selection and amount of menu price increases are not accepted by consumers and reduce guest traffic, or are insufficient to counter increased costs, our financial results could be harmed.

Our quarterly operating results may fluctuate due to the timing of special events and other factors, including the recognition of impairment losses.

Our quarterly operating results depend, in part, on special events, such as the Super Bowl® and other sporting events viewed by our guests in our restaurants such as the NFL, MLB, NBA, NHL, and NCAA. Interruptions in the viewing of these professional and collegiate sporting league events due to strikes, lockouts, or labor disputes may impact our results. Additionally, our results are subject to fluctuations based on the dates of sporting events and their availability for viewing through broadcast, satellite and cable networks. Historically, sales in most of our restaurants have been higher during fall and winter months based on the relative popularity and extent of national, regional and local sporting and other events. Further, our quarterly operating results may fluctuate significantly because of other factors, including:

- Fluctuations in food costs, particularly chicken wings;
- The timing of new restaurant openings, which may impact margins due to the related preopening costs and initially higher restaurant level operating expense ratios;
- Potential distraction or unusual expenses associated with our expansion into international markets;
- Our ability to operate effectively in new markets domestically and internationally in which we or our franchisees have limited operating experience;
- Labor availability and costs for hourly and management personnel;
- Changes in competitive factors;
- Disruption in supplies;
- General economic conditions, consumer confidence, and fluctuations in discretionary spending;
- Claims experience for self-insurance programs;
- Increases or decreases in labor or other variable expenses;
- The impact of inclement weather, natural disasters, and other calamities;
- Fluctuations in interest rates;
- The timing and amount of asset impairment loss and restaurant closing charges; and
- Tax expenses and other non-operating costs.

As a result of the factors discussed above, our quarterly and annual operating results may fluctuate significantly. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. These fluctuations may cause future operating results to fall below the expectations of securities analysts and shareholders. In that event, the price of our common stock would likely decrease.

We may not be able to attract and retain qualified Team Members and key executives to operate and manage our business.

Our success and the success of our individual restaurants and business depends on our ability to attract, motivate, develop and retain a sufficient number of qualified key executives and restaurant employees, including restaurant managers, and hourly Team Members. The inability to recruit, develop and retain these individuals may delay the planned openings of new restaurants or result in high employee turnover in existing restaurants, thus increasing the cost to efficiently operate our restaurants. This could inhibit our expansion plans and business performance and, to the extent that a labor shortage may force us to pay higher wages, harm our profitability. The loss of any of our executive officers could jeopardize our ability to meet our financial targets.

We may not be able to obtain and maintain licenses and permits necessary to operate our restaurants.

The restaurant industry is subject to various federal, state, and local government regulations, including those relating to the sale of food and alcoholic beverages. In addition, we are subject to gaming regulations with respect to our gaming operations within our nine company-owned restaurants in Las Vegas. The failure to obtain and maintain these licenses, permits and approvals, including food, liquor and gaming licenses, could adversely affect our operating results. Difficulties or failure to obtain the required licenses and approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may revoke, suspend, or deny renewal of our food and liquor licenses if they determine that our conduct violates applicable regulations.

Unfavorable publicity could harm our business.

Multi-unit restaurant businesses such as ours can be adversely affected by publicity resulting from complaints or litigation or general publicity regarding poor food quality, food-borne illness, personal injury, food tampering, adverse health effects of consumption of various food products or high-calorie foods (including obesity), or other concerns. Negative publicity from traditional media or on-line social network postings may also result from actual or alleged incidents or events taking place in our restaurants. Regardless of whether the allegations or complaints are valid, unfavorable publicity relating to a number of our restaurants, or only to a single restaurant, could adversely affect public perception of the entire brand. Adverse publicity and its effect on overall consumer perceptions of food safety, or our failure to respond effectively to adverse publicity, could have a material adverse effect on our business.

The sale of alcoholic beverages at our restaurants subjects us to additional regulations and potential liability.

Because our restaurants sell alcoholic beverages, we are required to comply with the alcohol licensing requirements of the federal government, states and municipalities where our restaurants are located. Alcoholic beverage control regulations require applications to state authorities and, in certain locations, county and municipal authorities for a license and permit to sell alcoholic beverages on the premises and to provide service for extended hours and on Sundays. Typically, the licenses are renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of guests and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. If we fail to comply with federal, state or local regulations, our licenses may be revoked and we may be forced to terminate the sale of alcoholic beverages at one or more of our restaurants. Further, growing movements to change laws relating to alcohol may result in a decline in alcohol consumption at our restaurants or increase the number of dram shop claims made against us, either of which may negatively impact operations or result in the loss of liquor licenses.

In certain states we are subject to “dram shop” statutes, which generally allow a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Some dram shop litigation against restaurant companies has resulted in significant judgments, including punitive damages.

Changes in employment laws or regulation could harm our performance.

Various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum wage requirements, overtime pay, healthcare reform and the implementation of the Patient Protection and Affordable Care Act, unemployment tax rates, workers’ compensation rates, citizenship requirements, union membership, and sales taxes. A number of factors could adversely affect our operating results, including additional government-imposed increases in minimum wages, overtime pay, paid leaves of absence and mandated health benefits, mandated training for employees, increased tax reporting and tax payment requirements for employees who receive tips, a reduction in the number of states that allow tips to be credited toward minimum wage requirements, changing regulations from the National Labor Relations Board and increased employee litigation including claims relating to the Fair Labor Standards Act.

The Americans with Disabilities Act is a federal law that prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for disabled persons.

Changes in consumer preferences or discretionary consumer spending could harm our performance.

Our success depends, in part, upon the continued popularity of our Buffalo, New York-style chicken wings, our boneless wings, other food and beverage items, and appeal of sports bars and casual dining restaurants. We also depend on trends toward consumers eating away from home. Shifts in these consumer preferences could negatively affect our future profitability. Such shifts could be based on health concerns related to the cholesterol, carbohydrate, fat, calorie, or salt content of certain food items, including items featured on our menu. Negative publicity over the health aspects of such food items may adversely affect consumer demand for our menu items and could result in a decrease in guest traffic to our restaurants, which could materially harm our business. In addition, we will be required to disclose calorie counts for all food items on our menus, due to federal regulations, and this may have an effect on consumers' eating habits. Other federal regulations could follow this pattern. In addition, our success depends to a significant extent on numerous factors affecting discretionary consumer spending, including economic conditions, disposable consumer income and consumer confidence. A decline in consumer spending or in economic conditions could reduce guest traffic or impose practical limits on pricing, either of which could harm our business, financial condition, operating results or cash flow.

A regional or global health pandemic could severely affect our business.

A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. If a regional or global health pandemic were to occur, depending upon its duration and severity, our business could be severely affected. We have positioned our brand as a place where people can gather together. Customers might avoid public gathering places in the event of a health pandemic, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease. A regional or global health pandemic might also adversely impact our business by disrupting or delaying production and delivery of materials and products in its supply chain and by causing staffing shortages in our restaurants. The impact of a health pandemic might be disproportionately greater than on other companies that depend less on the gathering of people together for the sale or use of their products and services.

The acquisition of existing restaurants from our franchisees or other acquisitions may have unanticipated consequences that could harm our business and our financial condition.

We may seek to selectively acquire existing restaurants from our franchisees or other restaurants. To do so, we would need to identify suitable acquisition candidates, negotiate acceptable acquisition terms and obtain appropriate financing. Any acquisition that we pursue, whether or not successfully completed, may involve risks, including:

- Material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition as the acquired restaurants are integrated into our operations;
- Risks associated with entering into markets or conducting operations where we have no or limited prior experience;
- Problems maintaining key personnel;
- Potential impairment of tangible and intangible assets and goodwill acquired in the acquisition;
- Potential unknown liabilities;
- Difficulties of integration; and
- Disruption of our ongoing business, including diversion of management's attention from other business concerns.

Future acquisitions of existing restaurants from our franchisees or other acquisitions, which may be accomplished through a cash purchase transaction, the issuance of our equity securities or a combination of both, could result in potentially dilutive issuances of our equity securities, the incurrence of debt and contingent liabilities and impairment charges related to goodwill and other intangible assets, any of which could harm our business and financial condition.

There is volatility in our stock price.

The market for our stock has, from time to time, experienced extreme price and volume fluctuations. Factors such as announcements of variations in our quarterly financial results and fluctuations in same-store sales could cause the market price of our stock to fluctuate significantly. In addition, the stock market in general, and the market prices for restaurant companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom have been granted equity compensation.

The market price of our stock can be influenced by stockholders' expectations about the ability of our business to grow and to achieve certain profitability targets. If our financial performance in a particular quarter does not meet the expectations of our stockholders, it may adversely affect their views concerning our growth potential and future financial performance. In addition, if the securities analysts who regularly follow our stock lower their ratings of our stock, the market price of our stock is likely to drop significantly.

We may be subject to increased labor and insurance costs.

Our restaurant operations are subject to federal and state laws governing such matters as minimum wages, working conditions, overtime, and tip credits. As federal and state minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees, but also the wages paid to employees at wage rates that are above minimum wage. Labor shortages, increased employee turnover, and health care mandates could also increase our labor costs. This, in turn, could lead us to increase prices which could impact our sales. Conversely, if competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline. In addition, the current premiums that we pay for our insurance (including workers' compensation, general liability, property, health, and directors' and officers' liability) may increase at any time, thereby further increasing our costs. The dollar amount of claims that we actually experience under our workers' compensation and general liability insurance, for which we carry high per-claim deductibles, may also increase at any time, thereby further increasing our costs. Also, the decreased availability of property and liability insurance has the potential to negatively impact the cost of premiums and the magnitude of uninsured losses.

Our current insurance may not provide adequate levels of coverage against claims.

We currently maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure, such as losses due to natural disasters. Such damages could have a material adverse effect on our business and results of operations.

We are dependent on information technology and any material failure of that technology could impair our ability to efficiently operate our business.

We rely on information systems across our operations, including, for example, point-of-sale processing in our restaurants, management of our supply chain, collection of cash, payment of obligations, and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, or a breach in security of these systems could cause delays in customer service, reduce efficiency in our operations, require significant investment to remediate the issue, or cause negative publicity that could damage our brand. Significant capital investments might be required to remediate any problems.

If we are unable to maintain our rights to use key technologies of third parties, our business may be harmed.

We rely on certain technology licensed from third parties, and may be required to license additional technology in the future for use in managing our Internet sites and providing related services to users and customers. These third-party technology licenses may not continue to be available to us on acceptable commercial terms or at all. The inability to enter into and maintain any of these technology licenses could significantly harm our business, financial condition and operating results.

We may not be able to protect our trademarks, service marks or trade secrets.

We place considerable value on our trademarks, service marks and trade secrets. We actively enforce and defend our marks and if violations are identified, take appropriate action to preserve and protect our goodwill in our marks. We attempt to protect our sauce recipes as trade secrets by, among other things, requiring confidentiality agreements with our sauce suppliers and executive officers. However, we cannot be sure that we will be able to successfully enforce our rights under our marks or prevent competitors from misappropriating our sauce recipes. We can also not be sure that: (i) our marks are valuable, (ii) using our marks does not, or will not, violate others' marks, (iii) the registrations of our marks would be upheld if challenged, or (iv) we would not be prevented from using our marks in areas of the country where others might have already established rights to them. Any of these uncertainties could have an adverse effect on us and our expansion strategy.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We are headquartered in Minneapolis, Minnesota. Our home office has approximately 48,000 square feet of office space. We occupy this facility under a lease that terminates on November 30, 2020, with an option to renew for one five-year term. As of December 30, 2012, we owned and operated 381 restaurants. We either lease the land and building for our sites or utilize ground leases. The majority of our existing leases are for 10 or 15-year terms, generally including options to extend the terms. We typically lease our restaurant facilities under “triple net” leases that require us to pay minimum rent, real estate taxes, maintenance costs and insurance premiums and, in some instances, percentage rent based on sales in excess of specified amounts. Most of our leases include “exclusive use” provisions prohibiting our landlords from leasing space to other restaurants that fall within certain specified criteria. Under our franchise agreements, we have certain rights to gain control of a restaurant site in the event of default under the lease or franchise agreement. The following table sets forth the states and provinces in which Buffalo Wild Wings restaurants are located and the number of restaurants in each state or province as of December 30, 2012:

	Number of Restaurants Open		
	Company-owned	Franchised	Total
United States:			
Alabama	2	9	11
Alaska	—	1	1
Arizona	7	9	16
Arkansas	—	8	8
California	18	28	46
Colorado	19	2	21
Connecticut	—	9	9
Delaware	—	6	6
Florida	5	27	32
Georgia	13	1	14
Hawaii	—	1	1
Idaho	—	5	5
Illinois	18	43	61
Indiana	7	42	49
Iowa	14	1	15
Kansas	9	—	9
Kentucky	12	5	17
Louisiana	—	13	13
Maine	—	2	2
Maryland	2	12	14
Massachusetts	—	3	3
Michigan	—	47	47
Minnesota	23	5	28
Mississippi	2	8	10
Missouri	6	21	27
Montana	—	4	4
Nebraska	6	2	8
Nevada	9	1	10
New Hampshire	—	3	3
New Jersey	2	6	8
New Mexico	—	3	3
New York	10	12	22
North Carolina	17	5	22
North Dakota	—	5	5
Ohio	32	53	85
Oklahoma	—	14	14
Oregon	—	8	8
Pennsylvania	15	1	16
South Carolina	8	4	12
South Dakota	—	5	5
Tennessee	23	—	23
Texas	43	45	88
Utah	5	—	5
Vermont	—	1	1
Virginia	16	20	36
Washington	4	1	5
West Virginia	—	9	9
Wisconsin	26	—	26
Wyoming	1	—	1
Canada:			
Alberta	1	—	1
Ontario	6	—	6
Total	381	510	891

ITEM 3. LEGAL PROCEEDINGS

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including claims arising from personal injuries, contract claims, franchise-related claims, dram shop claims, employment-related claims and claims from guests or employees alleging injury, illness or other food quality, health or operational concerns. To date, none of these types of litigation, most of which are typically covered by insurance, has had a material effect on us. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by or in excess of our insurance coverage could adversely affect our financial condition or results of operations.

ITEM 4. MINING SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock trades on the NASDAQ Global Market under the symbol "BWLD". The following table sets forth the high and low sale prices of our Common Stock.

	2012		2011	
	High	Low	High	Low
First Quarter	\$ 91.44	62.19	\$ 56.76	42.78
Second Quarter	94.81	75.96	63.52	53.75
Third Quarter	88.85	68.71	69.31	52.44
Fourth Quarter	89.90	69.72	68.24	56.30

Holdings

As of February 11, 2013, there were approximately 143 record holders of our Common Stock, excluding shareholders whose stock is held either in nominee name and/or street name brokerage accounts. Based on information which we have obtained from our transfer agent, there are approximately 37,024 holders of our Common Stock whose stock is held either in nominee name and/or street name brokerage accounts.

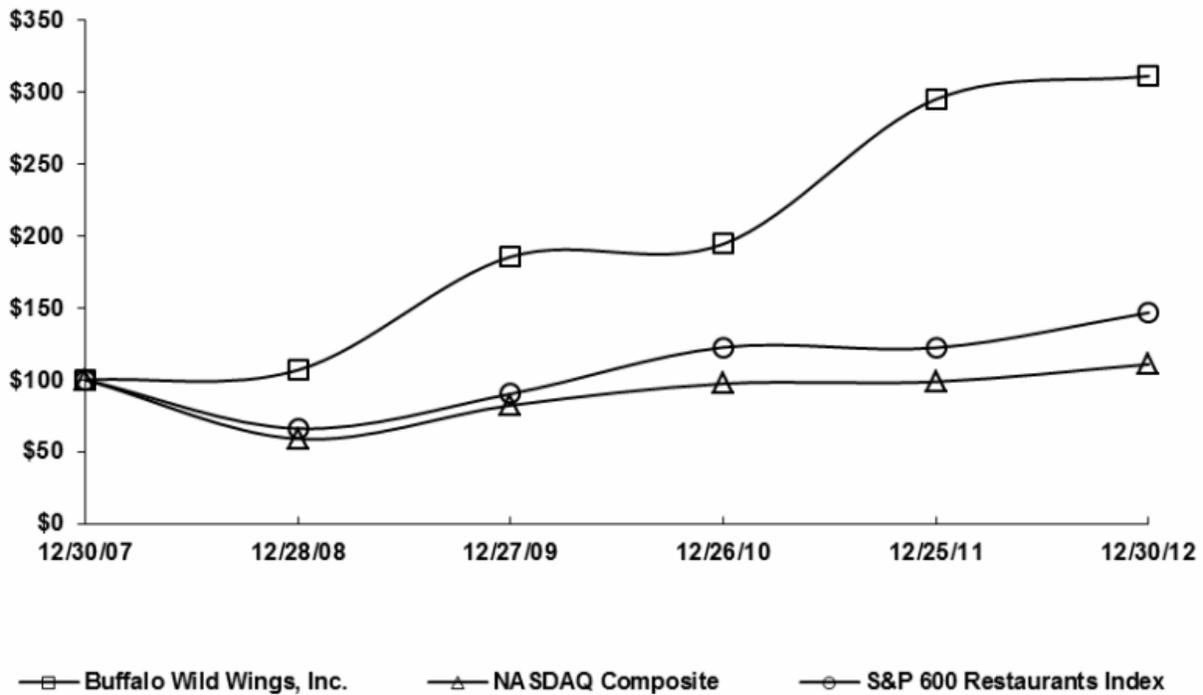
Dividends

We have never declared or paid cash dividends on our Common Stock. It is our policy to preserve cash for development and other working capital needs and, therefore, do not currently have plans to pay any cash dividends. Our future dividend policy will be determined by our Board of Directors and will depend on various factors, including our results of operations, financial condition, anticipated cash needs and plans for expansion.

Stock Performance Chart

The following graph compares the yearly percentage change in the cumulative total shareholder return on our Common Stock for the five-year period ended December 30, 2012 with the cumulative total return on the Nasdaq Composite and the S&P 600 Restaurants Index. The comparison assumes \$100 was invested in Buffalo Wild Wings Common Stock on December 30, 2007, and in each of the foregoing indices on December 30, 2007 and assumes reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Buffalo Wild Wings, Inc., the NASDAQ Composite Index, and S&P 600 Restaurants Index



*\$100 invested on 12/30/07 in stock or 12/31/07 in index, including reinvestment of dividends. Indexes calculated on month-end basis.

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	12/30/07	12/28/08	12/27/09	12/26/10	12/25/11	12/30/12
Buffalo Wild Wings, Inc.	100.00	106.83	185.48	194.34	294.90	310.89
NASDAQ Composite	100.00	59.03	82.25	97.32	98.63	110.78
S&P 600 Restaurants	100.00	66.19	90.28	122.57	122.25	146.60

The preceding stock performance chart is furnished and not filed with the Securities and Exchange Commission. Notwithstanding anything to the contrary set forth in any of our previous filings made under the Securities Act of 1933 or the Securities Exchange Act of 1934 that incorporate future filings made by us under those statutes, the above stock performance chart is not to be incorporated by reference in any prior filings, nor shall it be incorporated by reference into any future filings made by us under those statutes.

ITEM 6. SELECTED FINANCIAL DATA

The following summary information should be read in conjunction with the Consolidated Financial Statements and related notes thereto set forth in Item 8 of this Form 10-K.

	Fiscal Years Ended (1)				
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010	Dec. 27, 2009	Dec. 28, 2008
(in thousands, except share and per share data)					
Consolidated Statements of Earnings Data:					
Revenue:					
Restaurant sales	\$ 963,963	717,395	555,184	488,702	379,686
Franchise royalties and fees	76,567	67,083	58,072	50,222	42,731
Total revenue	<u>1,040,530</u>	<u>784,478</u>	<u>613,256</u>	<u>538,924</u>	<u>422,417</u>
Costs and expenses:					
Restaurant operating costs:					
Cost of sales	303,653	203,291	160,877	147,659	113,266
Labor	289,167	215,649	167,193	146,555	114,609
Operating	141,417	109,654	88,694	76,358	60,205
Occupancy	54,147	44,005	36,501	32,362	25,157
Depreciation and amortization	67,462	49,913	39,205	32,605	23,622
General and administrative	84,149	72,689	53,996	49,404	40,151
Preopening	14,630	14,564	8,398	7,702	7,930
Loss on asset disposals and store closures	3,291	1,929	2,051	1,928	2,083
Total costs and expenses	<u>957,916</u>	<u>711,694</u>	<u>556,915</u>	<u>494,573</u>	<u>387,023</u>
Income from operations	82,614	72,784	56,341	44,351	35,394
Investment income	754	118	684	1,077	970
Earnings before income taxes	83,368	72,902	57,025	45,428	36,364
Income tax expense	26,093	22,476	18,625	14,757	11,929
Net earnings	<u>\$ 57,275</u>	<u>50,246</u>	<u>38,400</u>	<u>30,671</u>	<u>24,435</u>
Earnings per common share – basic	\$ 3.08	2.75	2.11	1.70	1.37
Earnings per common share – diluted	3.06	2.73	2.10	1.69	1.36
Weighted average shares outstanding – basic	18,582,000	18,337,000	18,175,000	18,010,000	17,813,000
Weighted average shares outstanding – diluted	18,705,000	18,483,000	18,270,000	18,177,000	17,995,000
Consolidated Statements of Cash Flow Data:					
Net cash provided by operating activities	\$ 145,188	148,260	89,699	79,286	66,107
Net cash used in investing activities	(142,753)	(146,682)	(85,226)	(79,172)	(60,134)
Net cash (used in) provided by financing activities	(1,588)	3,690	1,265	1,119	853

	As Of (1)				
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010	Dec. 27, 2009	Dec. 28, 2008
(in thousands)					
Consolidated Balance Sheets Data:					
Total current assets	\$ 125,536	139,245	134,204	98,523	68,568
Total assets	591,087	495,359	380,357	309,073	243,818
Total current liabilities	140,843	114,270	79,116	66,704	48,202
Total liabilities	207,715	177,373	123,536	99,240	72,225
Retained earnings	262,047	204,772	154,346	115,946	85,275
Total stockholders' equity	<u>383,372</u>	<u>317,986</u>	<u>256,821</u>	<u>209,833</u>	<u>171,593</u>

(1) We utilize a 52- or 53-week accounting period that ends on the last Sunday in December. Each of the fiscal years in the four years ended December 25, 2011 were comprised of 52 weeks. The fiscal year ended December 30, 2012 was a 53-week year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes. This discussion and analysis contains certain statements that are not historical facts, including, among others, those relating to our anticipated financial performance for fiscal 2013, cash requirements, and our expected store openings and preopening costs. Such statements are forward-looking and speak only as of the date on which they are made. Actual results are subject to various risks and uncertainties including, but not limited to, those discussed in Item 1A of this 10-K under "Risk Factors." Information included in this discussion and analysis includes commentary on company-owned and franchised restaurant units, restaurant sales, same-store sales, and average weekly sales volumes. Management believes such sales information is an important measure of our performance, and is useful in assessing consumer acceptance of the Buffalo Wild Wings® Grill & Bar concept and the overall health of the concept. Franchise information also provides an understanding of our revenues because franchise royalties and fees are based on the opening of franchised units and their sales. However, franchise sales and same-store sales information does not represent sales in accordance with U. S. Generally Accepted Accounting Principles (GAAP), should not be considered in isolation or as a substitute for other measures of performance prepared in accordance with GAAP and may not be comparable to financial information as defined or used by other companies.

Overview

As of December 30, 2012, we owned and operated 381 company-owned and franchised an additional 510 Buffalo Wild Wings Grill & Bar® restaurants in North America. We believe that we will grow the Buffalo Wild Wings brand to about 1,700 locations in North America, continuing the strategy of developing both company-owned and franchised restaurants.

We believe we will open 60 company-owned and 45 franchised restaurants in 2013 and have set an annual net earnings growth goal of 25% based on a 52 week basis. Our growth and success depend on several factors and trends. First, we will continue our focus on trends in company-owned and franchised same-store sales as an indicator of the continued acceptance of our concept by consumers. We also review the overall trend in average weekly sales as an indicator of our ability to increase the sales volume and, therefore, cash flow per location. We remain committed to high quality operations and guest experience.

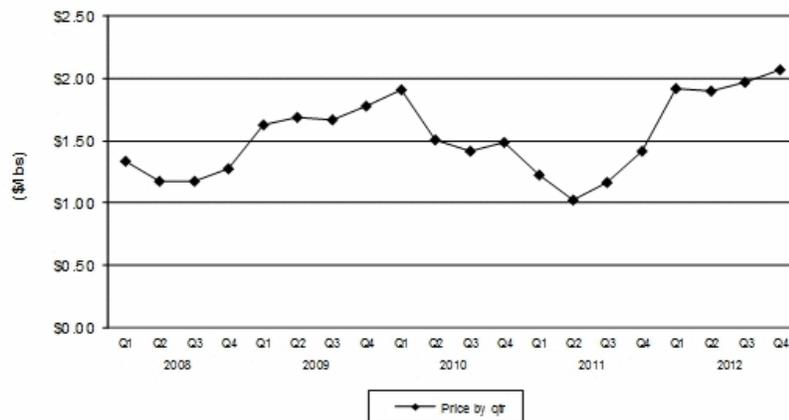
Our revenue is generated by:

- Sales at our company-owned restaurants, which represented 93% of total revenue in 2012. Food and nonalcoholic beverages accounted for 78% of restaurant sales. The remaining 22% of restaurant sales was from alcoholic beverages. The menu items with the highest sales volumes are traditional and boneless wings at 20% and 19%, respectively, of total restaurant sales.
- Royalties and franchise fees received from our franchisees.

A second factor is our success in developing restaurants in new markets. There are inherent risks in opening new restaurants, especially in new markets, including the lack of experience, logistical support, and brand awareness. These factors may result in lower than anticipated sales and cash flow for restaurants in new markets along with higher preopening costs. We believe our focus on our new restaurant opening procedures, along with our expanding North American presence, will help to mitigate the overall risk associated with opening restaurants in new markets.

Third, we continue to monitor and react to changes in our cost of goods sold. The costs of goods sold is difficult to predict, as it ranged from 27.2% to 32.0% of restaurant sales per quarter in 2012 and 2011, mostly due to the price and yield fluctuation in chicken wings. We work to counteract the volatility of chicken wing prices with the introduction of new menu items, marketing promotions, focused efforts on food costs and waste, and menu price increases. We will continue to monitor the cost of chicken wings, as it can significantly change our cost of sales and cash flow from company-owned restaurants. We continue to explore purchasing strategies to lessen the severity of cost increases and fluctuations, and are reviewing menu additions and other strategies that may decrease the volatility of our cost of sales percentage and decrease the percentage that chicken wings represent in terms of total restaurant sales. Current month chicken wing prices are determined based on the average of the previous month's spot rates. The market price for traditional wings reached its lowest price in several years during the second quarter of 2011. The market price trended substantially higher toward the end of 2012. The chart below illustrates the fluctuation in chicken wing prices from quarter to quarter in the last five years.

**Average Quarterly Wing Prices
2008-2012**



We generate cash from the operation of our company-owned restaurants and from franchise royalties and fees. We highlight the specific costs associated with the on-going operation of our company-owned restaurants in the consolidated statement of earnings under “Restaurant operating costs.” Nearly all of our depreciation expense relates to assets used by our company-owned restaurants and amortization of reacquired franchise rights. Preopening costs are those costs associated with opening new company-owned restaurants and will vary annually based on the number of new locations opening and under construction. Loss on asset disposals and store closures expense is related to company-owned restaurants and includes the costs associated with closures of locations and normal asset retirements. General and administrative expenses are related to home office and field support provided to both company-owned restaurant and franchising operations.

We operate on a 52 or 53-week fiscal year ending on the last Sunday in December. Each of the fiscal years in the four years ended December 25, 2011 were 52-week years. The fiscal year ended December 30, 2012 was a 53-week year.

Critical Accounting Estimates

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements, which were prepared in accordance with GAAP. Critical accounting policies are those that we believe are both important to the portrayal of our financial condition and results and require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We believe that the following discussion represents our more critical accounting policies and estimates used in the preparation of our consolidated financial statements, although it is not all inclusive.

Valuation of Long-Lived Assets and Store Closing Reserves

We review long-lived assets quarterly to determine if triggering events have occurred which would require a test to determine if the carrying amount of these assets may not be recoverable based on estimated future cash flows. Assets are reviewed at the lowest level for which cash flows can be identified, which is at the individual restaurant level. In the absence of extraordinary circumstances, restaurants are included in the impairment analysis after they have been open for 15 months. We evaluate the recoverability of a restaurant’s long-lived assets, including intangibles, leasehold improvements, equipment and fixtures over the remaining life of the primary asset in the asset group, after considering the potential impact of planned operational improvements, marketing programs, and anticipated changes in the trade area. In determining future cash flows, significant estimates are made by us with respect to future operating results of each restaurant over its remaining lease term. If assets are determined to be impaired, the impairment charge is measured by calculating the amount by which the asset carrying amount exceeds its fair value based on our estimate of discounted future cash flows. The determination of asset fair value is also subject to significant judgment. No impairments were recognized in fiscal 2012, 2011 or 2010.

In addition to the valuation of long-lived assets, we also record a store closing reserve when a restaurant is abandoned due to closure or relocation. The store closing reserve is subject to significant judgment as accruals are made for lease obligations on abandoned leased facilities. Many factors, including the local business environment, other available lease sites, the willingness of lessors to negotiate lease buyouts, and the ability to sublease our sites are considered in making the accruals. We estimate future lease obligations based on these factors and evaluate quarterly the adequacy of the estimated reserve based on current market conditions. During 2012, 2011, and 2010, we recorded expenses of \$413,000, \$205,000, and \$310,000, respectively, for restaurants that closed.

Goodwill

We review goodwill for impairment annually, or whenever circumstances change in a way which could indicate that impairment may have occurred. Goodwill is tested at the reporting unit level.

We identify potential goodwill impairments by comparing the fair value of the reporting unit to its carrying amount, which includes goodwill and other intangible assets. The fair value of the reporting unit is calculated using a market approach.

If the carrying amount of the reporting unit exceeds the fair value, this is an indication that impairment may exist. We calculate the amount of the impairment by comparing the fair value of the assets and liabilities to the fair value of the reporting unit. The fair value of the reporting unit in excess of the value of the assets and liabilities is the implied fair value of the goodwill. If this amount is less than the carrying amount of goodwill, impairment is recognized for the difference. As of December 30, 2012, our estimate of the fair value of our goodwill substantially exceeded the carrying value and therefore we concluded that our goodwill was not impaired. No goodwill impairment charges were recognized during 2012, 2011, or 2010.

Vendor Allowances

Vendor allowances include allowances and other funds received from vendors. Certain of these funds are determined based on various quantitative contract terms. We also receive vendor allowances from certain manufacturers and distributors calculated based upon purchases made by franchisees. Amounts that represent a reimbursement of costs incurred, such as advertising, are recorded as a reduction of the related expense. Amounts that represent a reduction of inventory purchase costs are recorded as a reduction of inventoriable costs. We record an estimate of earned vendor allowances that are calculated based upon monthly purchases. We generally receive payment from vendors approximately 30 days after the end of a month for that month's purchases. During fiscal 2012, 2011, and 2010, vendor allowances were recorded as a reduction in inventoriable costs, and cost of sales was reduced by \$8.7 million, \$7.0 million, and \$6.4 million, respectively.

Revenue Recognition — Franchise Operations

Our franchise agreements have terms ranging from 10 to 20 years. These agreements also convey extension terms of 5 or 10 years depending on contract terms and if certain conditions are met. We provide training, preopening assistance and restaurant operating assistance in exchange for area development fees, franchise fees and royalties of 5% of the franchised restaurant's sales. Franchise fee revenue from individual franchise sales is recognized upon the opening of the restaurant when we have performed all of our material obligations and initial services. Area development fees are dependent upon the number of restaurants granted in the agreement as are our obligations under the area development agreement. Consequently, as our obligations are met, area development fees are recognized in relation to the expenses incurred with the opening of each new restaurant and any royalty-free periods. Royalties are accrued as earned and are calculated each period based on reported franchisees' sales.

Self-Insurance Liability

We are self-insured for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, and employee health benefits. The accrued liabilities associated with these programs are based on our estimate of the ultimate costs to settle known claims as well as claims that may have arisen but have not yet been reported to us as of the balance sheet date. Our estimated liabilities are not discounted and are based on information provided by our insurance brokers and insurers, combined with our judgments regarding a number of assumptions and factors, including the frequency and severity of claims, and claims development history. We maintain stop-loss coverage with third-party insurers to limit our total exposure for each of these programs. Significant judgment is required to estimate claims incurred but not reported as parties have yet to assert such claims. If actual claims trends, including the frequency or severity of claims, differ from our estimates, our financial results could be impacted.

Stock-Based Compensation

We account for stock-based compensation in accordance with the fair value recognition provisions, under which we use the Black-Scholes-Merton pricing model, which requires the input of subjective assumptions. These assumptions include the expected life of the options, expected volatility over the expected term, the risk-free interest rate, and the expected forfeitures.

Compensation expense for restricted stock units is recognized for the expected number of shares vesting at the end of each annual period. Restricted stock units granted in 2012, 2011 and 2010 are subject to three-year cliff vesting and a cumulative three-year earnings target. The number of units that vest is based on performance against the target. Stock-based compensation is recognized for the expected number of shares vesting at the end of the three-year period and is expensed over that period. For these restricted stock unit grants, significant assumptions are made to estimate the expected net earnings levels for future years.

Results of Operations

Our operating results for 2012, 2011, and 2010, are expressed below as a percentage of total revenue, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant sales.

	Fiscal Years Ended		
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010
Revenue:			
Restaurant sales	92.6%	91.4%	90.5%
Franchise royalties and fees	7.4	8.6	9.5
Total revenue	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Costs and expenses:			
Restaurant operating costs:			
Cost of sales	31.5	28.3	29.0
Labor	30.0	30.1	30.1
Operating	14.7	15.3	16.0
Occupancy	5.6	6.1	6.6
Depreciation and amortization	6.5	6.4	6.4
General and administrative	8.1	9.3	8.8
Preopening	1.4	1.9	1.4
Loss on asset disposals and store closures	0.3	0.2	0.3
Total costs and expenses	<u>92.1</u>	<u>90.7</u>	<u>90.8</u>
Income from operations	7.9	9.3	9.2
Investment income	0.1	—	0.1
Earnings before income taxes	8.0	9.3	9.3
Income tax expense	2.5	2.9	3.0
Net earnings	<u>5.5%</u>	<u>6.4%</u>	<u>6.3%</u>

The number of company-owned and franchised restaurants open are as follows:

	As of		
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010
Company-owned restaurants	381	319	259
Franchised restaurants	510	498	473

The restaurant sales for company-owned and franchised restaurants are as follows (amounts in thousands):

	Fiscal Years Ended		
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010
Company-owned restaurant sales	\$ 963,963	717,395	555,184
Franchised restaurant sales	1,510,020	1,326,213	1,147,848

Increases in comparable same-store sales are as follows (based on restaurants operating at least fifteen months):

	Fiscal Years Ended		
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010
Company-owned same-store sales	6.6%	6.1%	0.6%
Franchised same-store sales	6.5	3.6	(0.2)

The annual average prices paid per pound for chicken wings for company-owned restaurants are as follows:

	Fiscal Years Ended		
	Dec. 30, 2012	Dec. 25, 2011	Dec. 26, 2010
Average price per pound	\$ 1.97	1.21	1.58

Fiscal Year 2012 Compared to Fiscal Year 2011

Restaurant sales increased by \$246.6 million, or 34.4%, to \$964.0 million in 2012 from \$717.4 million in 2011. The increase in restaurant sales was due to a \$182.7 million increase associated with 69 company-owned restaurants that opened or were acquired in 2012 and the company-owned restaurants that opened or were acquired before 2012 that did not meet the criteria for same-store sales for all, or part, of the year. The 53rd week of 2012 contributed an additional \$22.3 million. A same-store sales increase of 6.6% accounted for \$41.6 million of the increase in restaurant sales.

Franchise royalties and fees increased by \$9.5 million, or 14.1%, to \$76.6 million in 2012 from \$67.1 million in 2011. The increase was primarily due to royalties related to additional sales at 12 more franchised restaurants in operation at the end of the period compared to prior year, and an increase in same-store sales for franchised restaurants of 6.5% in 2012. In the 53rd week of fiscal 2012, we recognized \$1.5 million in franchise royalties and fees.

Cost of sales increased by \$100.4 million, or 49.4%, to \$303.7 million in 2012 from \$203.3 million in 2011 due primarily to more restaurants being operated in 2012. Cost of sales as a percentage of restaurant sales increased to 31.5% in 2012 from 28.3% in 2011. Cost of sales as a percentage of restaurant sales increased primarily due to higher chicken wing prices and a lower wing-per-pound yield. In 2012, chicken wings averaged \$1.97 per pound which was a 62.8% increase compared to 2011.

Labor expenses increased by \$73.5 million, or 34.1%, to \$289.2 million in 2012 from \$215.6 million in 2011 due primarily to more restaurants being operated in 2012. Labor expenses as a percentage of restaurant sales decreased slightly to 30.0% in 2012 compared to 30.1% in 2011. The decrease in labor expenses as a percentage of restaurant sales is primarily due to lower management costs and payroll related taxes partially offset by higher hourly labor costs and health insurance costs.

Operating expenses increased by \$31.8 million, or 29.0%, to \$141.4 million in 2012 from \$109.7 million in 2011 due primarily to more restaurants being operated in 2012. Operating expenses as a percentage of restaurant sales decreased to 14.7% in 2012 from 15.3% in 2011. The decrease in operating expenses as a percentage of restaurant sales was primarily due to lower utility costs and credit card fees.

Occupancy expenses increased by \$10.1 million, or 23.0%, to \$54.1 million in 2012 from \$44.0 million in 2011 due primarily to more restaurants being operated in 2012. Occupancy expenses as a percentage of restaurant sales decreased to 5.6% in 2012 from 6.1% in 2011 due primarily to leveraging rent costs with higher sales and a shift toward more company-owned buildings.

Depreciation and amortization increased by \$17.5 million, or 35.2%, to \$67.5 million in 2012 from \$49.9 million in 2011. The increase was primarily due to the additional depreciation related to the 62 additional company-owned restaurants compared to 2011 and incremental amortization related to the acquisition of franchised restaurants.

General and administrative expenses increased by \$11.5 million, or 15.8%, to \$84.1 million in 2012 from \$72.7 million in 2011 primarily due to additional headcount partially offset by lower stock-based compensation expense. General and administrative expenses as a percentage of total revenue decreased to 8.1% in 2012 from 9.3% in 2011. Exclusive of stock-based compensation, our general and administrative expenses decreased to 7.3% of total revenue in 2012 from 7.8% in 2011. This decrease was primarily due to the leveraging of salaried costs due to higher sales volumes and lower cash incentive expense.

Preopening costs increased by \$66,000 to \$14.6 million in 2012 from \$14.6 million in 2011. In 2012, we incurred costs of \$13.4 million for 51 new company-owned restaurants and costs of \$1.2 million for restaurants that will open in 2013. In 2011, we incurred costs of \$13.4 million for 50 new company-owned restaurants and costs of \$1.1 million for restaurants that opened in 2012. Average preopening cost per restaurant in 2012 and 2011 was \$281,000 and \$275,000, respectively.

Loss on asset disposals and store closures increased by \$1.4 million to \$3.3 million in 2012 from \$1.9 million in 2011. The expense in 2012 represented the closures costs for seven closed or relocated restaurants of \$413,000, the write-off of equipment related to the rollout of new point-of-sale and back-office systems of \$1.3 million, and the write-off of miscellaneous equipment and disposals due to remodels. The expense in 2011 represented the closures costs for eight closed or relocated restaurants of \$205,000, and the write-off of miscellaneous equipment and disposals due to remodels.

Investment income increased by \$636,000 to \$754,000 in 2012 from \$118,000 in 2011. Our investments were in short-term municipal securities and our deferred compensation investments were primarily in mutual funds. The increase in investment income was due to gains on investments held for our deferred compensation plan. Cash and marketable securities balances at the end of the year were \$30.9 million in 2012 compared to \$60.5 million in 2011.

Provision for income taxes increased \$3.6 million to \$26.1 million in 2012 from \$22.5 million in 2011. The effective tax rate as a percentage of income before taxes increased to 31.3% in 2012 from 30.8% in 2011. The rate increase was primarily due to lower employment-related Federal tax credits. We estimate our effective tax rate in 2013 will be about 31.0% before we record an estimated \$1.0 million tax reduction for the savings anticipated on our 2012 tax return related to the favorable impact of the American Taxpayer Relief Tax Act of 2012.

We estimate the 53rd week in fiscal 2012 contributed approximately \$0.19 of earnings per diluted share.

Fiscal Year 2011 Compared to Fiscal Year 2010

Restaurant sales increased by \$162.2 million, or 29.2%, to \$717.4 million in 2011 from \$555.2 million in 2010. The increase in restaurant sales was due to a \$131.2 million increase associated with 50 new company-owned restaurants that opened in 2011, 18 franchised locations that were acquired in 2011 and 84 company-owned restaurants opened before 2011 that did not meet the criteria for same-store sales for all or part of the year, and \$31.1 million related to a 6.1% increase in same-store sales.

Franchise royalties and fees increased by \$9.0 million, or 15.5%, to \$67.1 million in 2011 from \$58.1 million in 2010. The increase was due primarily to additional royalties collected from the 53 new franchised restaurants that opened in 2011 and a full year of operations for the 60 franchised restaurants that opened in 2010. Same-store sales for franchised restaurants increased 3.6% in 2011.

Cost of sales increased by \$42.4 million, or 26.4%, to \$203.3 million in 2011 from \$160.9 million in 2010 due primarily to more restaurants being operated in 2011. Cost of sales as a percentage of restaurant sales decreased to 28.3% in 2011 from 29.0% in 2010, primarily due to lower chicken wing prices partially offset by a sales mix shift to appetizers. In 2011, the cost of chicken wings averaged \$1.21 per pound which was a 23.4% decrease compared to 2010.

Labor expenses increased by \$48.5 million, or 29.0%, to \$215.6 million in 2011 from \$167.2 million in 2010 due primarily to more restaurants being operated in 2011. Labor expenses as a percentage of restaurant sales remained steady at 30.1% in 2011 and 2010. Cost of labor as a percentage of restaurant sales was primarily affected by higher hourly labor costs partially offset by lower management labor costs.

Operating expenses increased by \$21.0 million, or 23.6%, to \$109.7 million in 2011 from \$88.7 million in 2010 due primarily to more restaurants being operated in 2011. Operating expenses as a percentage of restaurant sales decreased to 15.3% in 2011 from 16.0% in 2010. The decrease in operating expenses as a percentage of restaurant sales was primarily due to lower utility and insurance costs.

Occupancy expenses increased by \$7.5 million, or 20.6%, to \$44.0 million in 2011 from \$36.5 million in 2010 due primarily to more restaurants being operated in 2011. Occupancy expenses as a percentage of restaurant sales decreased to 6.1% in 2011 from 6.6% in 2010 due primarily to leveraging rent costs with higher sales and a shift toward more company-owned buildings.

Depreciation and amortization increased by \$10.7 million, or 27.3%, to \$49.9 million in 2011 from \$39.2 million in 2010. The increase was primarily due to the additional depreciation on 50 new restaurants that opened in 2011, 18 franchised locations that were acquired in 2011, and 35 new restaurants opened in 2010 and operated for a full year in 2011. Depreciation and amortization expense as a percentage of total revenue remained steady at 6.4% in 2011 and 2010 due primarily to leveraging costs with higher sales offset by higher depreciation on company-owned buildings and amortization related to reacquired franchise rights.

General and administrative expenses increased by \$18.7 million, or 34.6%, to \$72.7 million in 2011 from \$54.0 million in 2010. General and administrative expenses as a percentage of total revenue increased to 9.3% in 2011 from 8.8% in 2010. Exclusive of stock-based compensation, our general and administrative expenses increased to 7.8% of total revenue in 2011 from 7.5% in 2010. This increase was primarily due to higher cash incentive expense.

Preopening costs increased by \$6.2 million, or 73.4%, to \$14.6 million in 2011 from \$8.4 million in 2010. In 2011, we incurred costs of \$13.4 million for 50 new company-owned restaurants and costs of \$1.1 million for restaurants that opened in 2012. In 2010, we incurred costs of \$8.0 million for 35 new company-owned restaurants and costs of \$390,000 for restaurants that opened in 2011. Average preopening cost per restaurant in 2011 and 2010 was \$275,000 and \$235,000, respectively. The higher per restaurant costs in 2011 were due to additional costs for expansion into new markets.

Loss on asset disposals and store closures decreased by \$122,000 to \$1.9 million in 2011 from \$2.1 million in 2010. The expense in 2011 represented the closures costs for eight closed or relocated restaurants of \$205,000, and the write-off of miscellaneous equipment and disposals due to remodels. The expense in 2010 represented the closure costs for eight closed or relocated restaurants of \$310,000, and the write-off of miscellaneous equipment and disposals due to remodels.

Investment income decreased by \$566,000 to \$118,000 in 2011 from \$684,000 in 2010. The majority of our investments were in short-term municipal securities. The decrease in investment income was due to a loss on investments held for a deferred compensation plan and lower rates of return on investments. Cash and marketable securities balances at the end of the year were \$60.5 million in 2011 compared to \$72.1 million in 2010.

Provision for income taxes increased \$3.9 million to \$22.5 million in 2011 from \$18.6 million in 2010. The effective tax rate as a percentage of income before taxes decreased to 30.8% in 2011 from 32.7% in 2010. The rate decrease was primarily due to higher employment-related Federal tax credits.

Liquidity and Capital Resources

Our primary liquidity and capital requirements have been for constructing, remodeling and maintaining our new and existing company-owned restaurants; working capital; acquisitions; and other general business needs. We fund these expenses, except for acquisitions and emerging brands, primarily with cash from operations. Depending on the size of the transaction, acquisitions or investments in emerging brands would generally be funded from cash and marketable securities balances or using our line of credit. The cash and marketable securities balance at December 30, 2012 was \$30.9 million. We invest our cash balances in debt securities with the focus on protection of principal, adequate liquidity and return on investment based on risk. As of December 30, 2012, nearly all excess cash was invested in high quality municipal securities and mutual funds.

During fiscal 2012, 2011, and 2010, net cash provided by operating activities was \$145.2 million, \$148.3 million, and \$89.7 million, respectively. Net cash provided by operating activities in 2012 consisted primarily of net earnings adjusted for non-cash expenses and an increase in accrued expenses and decrease in refundable income taxes partially offset by an increase in accounts receivable. The increase in accrued expenses was primarily due to the timing of our bi-weekly payroll. The decrease in refundable income taxes was due to the timing of payments. The increase in accounts receivable was primarily due to an increase in credit card receivable due to the timing of the holidays near our fiscal year ends.

Net cash provided by operating activities in 2011 consisted primarily of net earnings adjusted for non-cash expenses and an increase in accounts payable and accrued expenses. The increase in accounts payable was primarily due to an increase in the number of restaurants and the timing of payments. The increase in accrued expenses was due to higher payroll-related costs including incentive compensation and wages.

Net cash provided by operating activities in 2010 consisted primarily of net earnings adjusted for non-cash expenses and an increase in accounts payable partially offset by an increase in refundable income taxes and trading securities. The increase in accounts payable was primarily due to an increase in the number of restaurants and the timing of payments. The increase in refundable income taxes was due to benefits received from tax laws changed in late 2010. The increase in trading securities was due to additional contributions to and investment returns on our deferred compensation plan.

Net cash used in investing activities for 2012, 2011, and 2010, was \$142.8 million, \$146.7 million, and \$85.2 million, respectively. Investing activities included acquisitions of property and equipment related to the additional company-owned restaurants and restaurants under construction in all periods. In 2012, 2011, and 2010, we opened or purchased 69, 68, and 35 restaurants, respectively. In 2013, we expect capital expenditures of approximately \$128.2 million for the cost of 60 new or relocated company-owned restaurants, \$8.4 million for technology improvements on our restaurant and corporate systems, and \$22.3 million for capital expenditures at existing restaurants. In 2012, we purchased \$132.1 million of marketable securities and received proceeds of \$163.5 million as investments in marketable securities matured or were sold. In 2011, we purchased \$97.1 million of marketable securities and received proceeds of \$114.3 million as marketable securities matured or were sold. In 2010, we purchased \$99.2 million of marketable securities and received proceeds of \$87.3 million as investments in marketable securities matured or were sold.

Net cash provided by (used in) financing activities for 2012, 2011, and 2010, was (\$1.6 million), \$3.7 million, and \$1.3 million, respectively. Net cash used in financing activities for 2012 resulted primarily from tax payments for restricted stock units of \$8.5 million partially offset by the issuance of common stock for options exercised and employee stock purchases of \$2.8 million and excess tax benefits from stock issuances of \$4.2 million. Net cash provided by financing activities for 2011 resulted primarily from the issuance of common stock for options exercised and employee stock purchases of \$1.7 million and excess tax benefits for stock issuance of \$4.5 million partially offset by tax payments for restricted stock units issuances of \$2.5 million. Net cash provided by financing activities for 2010 resulted primarily from the issuance of common stock for options exercised and employee stock purchases of \$1.4 million and excess tax benefits from stock issuances of \$1.5 million partially offset by tax payments for restricted stock units of \$1.6 million. No additional funding from the issuance of common stock (other than from the exercise of options and employee stock purchases) is anticipated in 2013.

Our liquidity is impacted by minimum cash payment commitments resulting from operating lease obligations for our restaurants and our corporate offices. Lease terms are generally 10 to 15 years with renewal options and generally require us to pay a proportionate share of real estate taxes, insurance, common area maintenance and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds. We own the buildings in which 89 of our restaurants operate and therefore have the limited ability to enter into sale-leaseback transactions as a potential source of cash.

The following table presents a summary of our contractual operating lease obligations and commitments as of December 30, 2012:

	Payments Due By Period				
	(in thousands)				
	Total	Less than one year	1-3 years	3-5 years	After 5 years
Operating lease obligations	\$ 462,562	49,725	96,081	87,436	229,320
Commitments for restaurants under development	75,349	3,067	11,345	11,406	49,531
Total	<u>\$ 537,911</u>	<u>52,792</u>	<u>107,426</u>	<u>98,842</u>	<u>278,851</u>

We believe the cash flows from our operating activities and our balance of cash and marketable securities will be sufficient to fund our operations and building commitments and meet our obligations in the foreseeable future. In February 2013, to allow us to remain nimble for future investment in franchised acquisitions and emerging brands as we build the foundation for continued growth, we entered into a three-year \$100 million unsecured revolving credit facility. There is a commitment fee on the average unused portion of the facility at a rate per annum equal to 0.15%, if our consolidated total leverage ratio is less than or equal to 0.50, or 0.20% if our consolidated total leverage ratio is greater than or equal to 0.51. Our future cash outflows related to income tax uncertainties amount to \$782,000 as of December 30, 2012. These amounts are excluded from the contractual obligations table due to the high degree of uncertainty regarding the timing of these liabilities.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-02 "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Assets for Impairment." ASU 2012-02 gives companies the option to perform a qualitative assessment before calculating the fair value of the indefinite-lived intangible asset. Under the guidance in ASU 2012-02, if this option is selected, a company is not required to calculate the fair value of the indefinite-lived intangible unless the entity determines it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2012-02 are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, but early adoption is permitted. We have elected not to early adopt the provisions of ASU 2012-02 and do not expect ASU 2012-02 to materially impact our consolidated financial statements.

Impact of Inflation

In the last three years we have not operated in a period of high general inflation; however, the cost of commodities, labor and certain utilities have generally increased or experienced price volatility. Our restaurant operations are subject to federal and state minimum wage laws governing such matters as working conditions, overtime and tip credits. Significant numbers of our food service and preparation personnel are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in the minimum wage have increased our labor costs in the last three years. In addition, costs associated with our operating leases, such as taxes, maintenance, repairs and insurance, are often subject to upward pressure. To the extent permitted by competition, we have mitigated increased costs by increasing menu prices and may continue to do so if deemed necessary in future years.

Quarterly Results of Operations

The following table sets forth, by quarter, the unaudited quarterly results of operations for the two most recent years, as well as the same data expressed as a percentage of our total revenue for the periods presented. Restaurant operating costs are expressed as a percentage of restaurant sales. The information for each quarter is unaudited and we have prepared it on the same basis as the audited financial statements appearing elsewhere in this document. In the opinion of management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited quarterly results. All amounts, except per share amounts, are expressed in thousands.

Quarterly and annual operating results may fluctuate significantly as a result of a variety of factors, including increases or decreases in same-store sales, changes in commodity prices, the timing and number of new restaurant openings and related preopening expenses, asset impairment charges, store closing charges, general economic conditions, stock-based compensation, and seasonal fluctuations. As a result, our results of operations are not necessarily indicative of the results that may be achieved for any future period.

Results of Quarterly Operations (unaudited) (amounts in thousands except per share data)

	<u>Mar. 27, 2011</u>	<u>Jun. 26, 2011</u>	<u>Sep. 25, 2011</u>	<u>Dec. 25, 2011</u>	<u>Mar. 25, 2012</u>	<u>Jun. 24, 2012</u>	<u>Sep. 23, 2012</u>	<u>Dec. 30, 2012</u>
Revenue:								
Restaurant sales	165,527	167,896	181,036	202,936	232,316	220,550	228,418	282,679
Franchise royalties and fees	<u>16,623</u>	<u>16,205</u>	<u>16,727</u>	<u>17,528</u>	<u>18,806</u>	<u>18,173</u>	<u>18,441</u>	<u>21,147</u>
Total revenue	<u>182,150</u>	<u>184,101</u>	<u>197,763</u>	<u>220,464</u>	<u>251,122</u>	<u>238,723</u>	<u>246,859</u>	<u>303,826</u>
Costs and expenses:								
Restaurant operating costs:								
Cost of sales	46,264	45,735	51,655	59,637	72,151	69,799	71,263	90,440
Labor	48,878	51,309	54,783	60,679	68,268	66,638	68,804	85,457
Operating	24,549	25,048	28,537	31,520	32,797	32,349	34,626	41,645
Occupancy	10,227	10,659	11,195	11,924	12,800	13,091	13,458	14,798
Depreciation and amortization	11,022	11,931	12,748	14,212	15,531	16,090	16,818	19,023
General and administrative	16,292	18,766	18,336	19,295	19,424	20,976	21,813	21,936
Preopening	2,387	4,116	3,864	4,197	2,591	1,536	4,535	5,968
Loss on asset disposals and store closures	<u>411</u>	<u>492</u>	<u>612</u>	<u>414</u>	<u>737</u>	<u>597</u>	<u>788</u>	<u>1,169</u>
Total costs and expenses	<u>160,030</u>	<u>168,056</u>	<u>181,730</u>	<u>201,878</u>	<u>224,299</u>	<u>221,076</u>	<u>232,105</u>	<u>280,436</u>
Income from operations	22,120	16,045	16,033	18,586	26,823	17,647	14,754	23,390
Investment income (loss)	<u>356</u>	<u>(152)</u>	<u>(374)</u>	<u>288</u>	<u>410</u>	<u>(115)</u>	<u>418</u>	<u>41</u>
Earnings before income taxes	22,476	15,893	15,659	18,874	27,233	17,532	15,172	23,431
Income tax expense	<u>7,615</u>	<u>5,220</u>	<u>4,393</u>	<u>5,248</u>	<u>8,988</u>	<u>5,870</u>	<u>4,464</u>	<u>6,771</u>
Net earnings	<u>14,861</u>	<u>10,673</u>	<u>11,266</u>	<u>13,626</u>	<u>18,245</u>	<u>11,662</u>	<u>10,708</u>	<u>16,660</u>
Earnings per common share – basic								
Earnings per common share – basic	0.81	0.58	0.61	0.74	0.98	0.63	0.58	0.90
Earnings per common share – diluted								
Earnings per common share – diluted	0.81	0.58	0.61	0.73	0.98	0.62	0.57	0.89
Weighted average shares outstanding – basic								
Weighted average shares outstanding – basic	18,306	18,330	18,352	18,361	18,555	18,575	18,589	18,608
Weighted average shares outstanding – diluted								
Weighted average shares outstanding – diluted	18,375	18,401	18,520	18,633	18,638	18,660	18,723	18,789

Results of Quarterly Operations (unaudited)

	Mar. 27, 2011	Jun. 26, 2011	Sep. 25, 2011	Dec. 25, 2011	Mar. 25, 2012	Jun. 24, 2012	Sep. 23, 2012	Dec. 30, 2012
Revenue:								
Restaurant sales	90.9%	91.2%	91.5%	92.0%	92.5%	92.4%	92.5%	93.0%
Franchise royalties and fees	9.1	8.8	8.5	8.0	7.5	7.6	7.5	7.0
Total revenue	100.0							
Costs and expenses:								
Restaurant operating costs:								
Cost of sales	27.9	27.2	28.5	29.4	31.1	31.6	31.2	32.0
Labor	29.5	30.6	30.3	29.9	29.4	30.2	30.1	30.2
Operating	14.8	14.9	15.8	15.5	14.1	14.7	15.2	14.7
Occupancy	6.2	6.3	6.2	5.9	5.5	5.9	5.9	5.2
Depreciation and amortization	6.1	6.5	6.4	6.4	6.2	6.7	6.8	6.3
General and administrative	8.9	10.2	9.3	8.8	7.7	8.8	8.8	7.2
Preopening	1.3	2.2	2.0	1.9	1.0	0.6	1.8	2.0
Loss on asset disposals and store closures	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.4
Total costs and expenses	87.9	91.3	91.9	91.6	89.3	92.6	94.0	92.3
Income from operations	12.1	8.7	8.1	8.4	10.7	7.4	6.0	7.7
Investment income (loss)	0.2	(0.1)	(0.2)	0.1	0.2	0.0	0.2	0.0
Earnings before income taxes	12.3	8.6	7.9	8.6	10.8	7.3	6.1	7.7
Income tax expense	4.2	2.8	2.2	2.4	3.6	2.5	1.8	2.2
Net earnings	8.2%	5.8%	5.7%	6.2%	7.3%	4.9%	4.3%	5.5%

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to international market risk related to our cash and cash equivalents and marketable securities. We invest our excess cash in highly liquid short-term investments with maturities of less than one year. These investments are not held for trading or other speculative purposes. We invest with a strategy focused on principal preservation. Changes in interest rates affect the investment income we earn on our cash and cash equivalents and marketable securities and, therefore, impact our cash flows and results of operations. We also have trading securities, which are held to generate returns that seek to offset changes in liabilities related to the equity market risk of our deferred compensation arrangements.

Financial Instruments

Financial instruments that potentially subject us to concentrations of credit risk consist principally of municipal securities. We do not believe there is a significant risk of non-performance by these municipalities because of our investment policy restrictions as to acceptable investment vehicles.

Inflation

The primary inflationary factors affecting our operations are food, labor, and restaurant operating costs. Substantial increases in these costs in any country that we operate in could impact operating results to the extent that such increases cannot be passed along through higher menu prices. A large number of our restaurant personnel are paid at rates based on the applicable federal and state minimum wages, and increases in the minimum wage rates and tip-credit wage rates could directly affect our labor costs. Many of our leases require us to pay taxes, maintenance, repairs, insurance and utilities, all of which are generally subject to inflationary increases.

Commodity Price Risk

Many of the food products purchased by us are affected by weather, production, availability and other factors outside our control. We believe that almost all of our food and supplies are available from several sources, which helps to control food product and supply risks. We negotiate directly with independent suppliers for our supply of food and other products. Domestically, we use members of UniPro Food Services, Inc., a national cooperative of independent food distributors, to distribute these products from the suppliers to our restaurants. We have signed a new distribution contract that covers food, paper, and non-food products and began transitioning locations to the new provider in December 2012 with full rollout expected to be completed by June 2013. We have minimum purchase requirements with some of our vendors, but the terms of the contracts and nature of the products are such that our purchase requirements do not create a market risk. The primary food product used by company-owned and franchised restaurants is chicken wings. We work to counteract the effect of the volatility of chicken wing prices, which can significantly change our cost of sales and cash flow, with the introduction of new menu items, effective marketing promotions, focused efforts on food costs and waste, and menu price increases. We also explore purchasing strategies to reduce the severity of cost increases and fluctuations. Current month chicken wing prices are determined based on the average of the previous month's spot rates. Chicken wings accounted for approximately 27%, 19%, and 24% of our cost of sales in 2012, 2011, and 2010, respectively, with an annual average price per pound of \$1.97, \$1.21, and \$1.58, respectively. A 10% increase in traditional chicken wing costs during 2012, would have increased restaurant cost of sales by approximately \$8.3 million for fiscal 2012. Additional information related to chicken wing prices and our approaches to managing the volatility thereof is included in Item 7 under "Results of Operations."

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For supplemental information regarding quarterly results of operations, refer to Item 7, "Results of Quarterly Operations."

BUFFALO WILD WINGS, INC.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Buffalo Wild Wings, Inc.:

We have audited the accompanying consolidated balance sheets of Buffalo Wild Wings, Inc. and subsidiaries as of December 30, 2012 and December 25, 2011, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 30, 2012. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement schedule. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buffalo Wild Wings, Inc. and subsidiaries as of December 30, 2012 and December 25, 2011, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 30, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the accompanying financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Buffalo Wild Wings, Inc.'s internal control over financial reporting as of December 30, 2012, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/S/ KPMG LLP

Minneapolis, Minnesota
February 28, 2013

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands)

	December 30,	December 25,
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,340	\$ 20,530
Marketable securities	9,579	39,956
Accounts receivable, net of allowance of \$25	20,203	12,165
Inventory	7,820	6,311
Prepaid expenses	3,869	3,707
Refundable income taxes	4,122	7,561
Deferred income taxes	5,774	6,323
Restricted assets	<u>52,829</u>	<u>42,692</u>
Total current assets	125,536	139,245
Property and equipment, net	386,570	310,170
Reacquired franchise rights, net	37,370	21,028
Goodwill	32,365	17,770
Other assets	<u>9,246</u>	<u>7,146</u>
Total assets	<u>\$ 591,087</u>	<u>\$ 495,359</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Unearned franchise fees	\$ 1,763	\$ 1,852
Accounts payable	36,418	30,089
Accrued compensation and benefits	39,637	30,499
Accrued expenses	11,461	7,580
System-wide payables	<u>51,564</u>	<u>44,250</u>
Total current liabilities	140,843	114,270
Long-term liabilities:		
Other liabilities	1,752	1,544
Deferred income taxes	37,128	38,512
Deferred lease credits	<u>27,992</u>	<u>23,047</u>
Total liabilities	<u>207,715</u>	<u>177,373</u>
Commitments and contingencies (notes 6 and 15)		
Stockholders' equity:		
Undesignated stock, 1,000,000 shares authorized, none issued	—	—
Common stock, no par value. Authorized 44,000,000 shares; issued and outstanding 18,623,370 and 18,377,920, respectively	121,450	113,509
Retained earnings	262,047	204,772
Accumulated other comprehensive loss	<u>(125)</u>	<u>(295)</u>
Total stockholders' equity	<u>383,372</u>	<u>317,986</u>
Total liabilities and stockholders' equity	<u>\$ 591,087</u>	<u>\$ 495,359</u>

See accompanying notes to consolidated financial statements.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

Fiscal years ended December 30, 2012, December 25, 2011, and December 26, 2010

(Amounts in thousands except per share data)

	Fiscal years ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Revenue:			
Restaurant sales	\$ 963,963	717,395	555,184
Franchise royalties and fees	76,567	67,083	58,072
Total revenue	<u>1,040,530</u>	<u>784,478</u>	<u>613,256</u>
Costs and expenses:			
Restaurant operating costs:			
Cost of sales	303,653	203,291	160,877
Labor	289,167	215,649	167,193
Operating	141,417	109,654	88,694
Occupancy	54,147	44,005	36,501
Depreciation and amortization	67,462	49,913	39,205
General and administrative	84,149	72,689	53,996
Preopening	14,630	14,564	8,398
Loss on asset disposals and store closures	3,291	1,929	2,051
Total costs and expenses	<u>957,916</u>	<u>711,694</u>	<u>556,915</u>
Income from operations	82,614	72,784	56,341
Investment income	754	118	684
Earnings before income taxes	83,368	72,902	57,025
Income tax expense	26,093	22,476	18,625
Net earnings	<u>\$ 57,275</u>	<u>50,426</u>	<u>38,400</u>
Earnings per common share – basic	\$ 3.08	2.75	2.11
Earnings per common share – diluted	\$ 3.06	2.73	2.10
Weighted average shares outstanding – basic	18,582	18,337	18,175
Weighted average shares outstanding – diluted	18,705	18,483	18,270

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Net earnings	\$ 57,275	50,426	38,400
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax	170	(286)	(9)
Other comprehensive income (loss), net of tax	170	(286)	(9)
Comprehensive income	<u>57,445</u>	<u>50,140</u>	<u>38,391</u>

See accompanying notes to consolidated financial statements.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Fiscal years ended December 30, 2012, December 25, 2011, and December 26, 2010
(Dollar amounts in thousands)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive	Total
	Shares	Amount		(Loss) Income	
Balance at December 27, 2009	18,054,375	\$ 93,887	115,946	—	\$ 209,833
Net earnings	—	—	38,400	—	38,400
Other comprehensive loss	—	—	—	(9)	(9)
Shares issued under employee stock purchase plan	36,049	1,186	—	—	1,186
Shares issued from restricted stock units	134,819	—	—	—	—
Units effectively repurchased for required employee withholding taxes	(37,038)	(2,005)	—	—	(2,005)
Exercise of stock options	25,860	229	—	—	229
Excess tax benefit from stock issued	—	1,475	—	—	1,475
Stock-based compensation	—	7,712	—	—	7,712
Balance at December 26, 2010	18,214,065	102,484	154,346	(9)	256,821
Net earnings	—	—	50,426	—	50,426
Other comprehensive loss	—	—	—	(286)	(286)
Shares issued under employee stock purchase plan	30,127	1,373	—	—	1,373
Shares issued from restricted stock units	142,797	—	—	—	—
Units effectively repurchased for required employee withholding taxes	(45,539)	(6,530)	—	—	(6,530)
Exercise of stock options	36,470	337	—	—	337
Excess tax benefit from stock issued	—	4,462	—	—	4,462
Stock-based compensation	—	11,383	—	—	11,383
Balance at December 25, 2011	18,377,920	113,509	204,772	(295)	317,986
Net earnings	—	—	57,275	—	57,275
Other comprehensive loss	—	—	—	170	170
Shares issued under employee stock purchase plan	26,742	1,550	—	—	1,550
Shares issued from restricted stock units	275,935	—	—	—	—
Units effectively repurchased for required employee withholding taxes	(96,135)	(7,112)	—	—	(7,112)
Exercise of stock options	38,908	1,233	—	—	1,233
Excess tax benefit from stock issued	—	4,151	—	—	4,151
Stock-based compensation	—	8,119	—	—	8,119
Balance at December 30, 2012	18,623,370	\$ 121,450	262,047	(125)	\$ 383,372

See accompanying notes to consolidated financial statements.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal years ended December 30, 2012, December 25, 2011, and December 26, 2010

(Dollar amounts in thousands)

	Fiscal years ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Cash flows from operating activities:			
Net earnings	\$ 57,275	50,426	38,400
Adjustments to reconcile net earnings to cash provided by operations:			
Depreciation	64,154	49,003	38,591
Amortization	3,308	910	614
Loss on asset disposals and store closures	2,883	1,680	1,835
Deferred lease credits	4,322	3,632	2,217
Deferred income taxes	(835)	12,816	6,486
Stock-based compensation	8,119	11,383	7,712
Excess tax benefit from stock issuance	(4,151)	(4,462)	(1,475)
Change in operating assets and liabilities, net of effect of acquisition:			
Trading securities	(992)	(317)	(1,369)
Accounts receivable	(11,797)	(1,222)	(357)
Inventory	(1,088)	(1,840)	(514)
Prepaid expenses	(46)	20	(533)
Other assets	(2,071)	(2,550)	(885)
Unearned franchise fees	(89)	(257)	(597)
Accounts payable	3,172	17,676	1,898
Income taxes	7,590	3,267	(3,019)
Accrued expenses	15,434	8,095	695
Net cash provided by operating activities	<u>145,188</u>	<u>148,260</u>	<u>89,699</u>
Cash flows from investing activities:			
Acquisition of property and equipment	(130,542)	(130,127)	(73,399)
Purchase of marketable securities	(132,140)	(97,148)	(99,165)
Proceeds of marketable securities	163,509	114,337	87,338
Acquisition of franchised restaurants	(43,580)	(33,744)	—
Net cash used in investing activities	<u>(142,753)</u>	<u>(146,682)</u>	<u>(85,226)</u>
Cash flows from financing activities:			
Issuance of common stock	2,783	1,709	1,415
Excess tax benefit from stock issuance	4,151	4,462	1,475
Tax payments for restricted stock units	(8,522)	(2,481)	(1,625)
Net cash provided by (used in) financing activities	<u>(1,588)</u>	<u>3,690</u>	<u>1,265</u>
Effect of exchange rate changes on cash and cash equivalents	(37)	(47)	(9)
Net increase in cash and cash equivalents	810	5,221	5,729
Cash and cash equivalents at beginning of year	<u>20,530</u>	<u>15,309</u>	<u>9,580</u>
Cash and cash equivalents at end of year	<u>\$ 21,340</u>	<u>20,530</u>	<u>15,309</u>

See accompanying notes to consolidated financial statements.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)**

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

References in these financial statement footnotes to “company”, “we”, “us”, and “our” refer to the business of Buffalo Wild Wings, Inc. and our subsidiaries. We were organized for the purpose of operating Buffalo Wild Wings® restaurants, as well as selling Buffalo Wild Wings restaurant franchises. In exchange for the initial and continuing franchise fees received, we give franchisees the right to use the name Buffalo Wild Wings. We operate as a single segment in North America for reporting purposes.

At December 30, 2012, December 25, 2011, and December 26, 2010, we operated 381, 319, and 259 company-owned restaurants, respectively, and had 510, 498, and 473 franchised restaurants, respectively.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Buffalo Wild Wings, Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Our franchise and license arrangements provide our franchisee and licensee entities the power to direct the activities that most significantly impact their economic performance; therefore, we do not consider ourselves to be the primary beneficiary of any such entity that might be a variable interest entity. The renewal option terms in certain of our operating lease agreements give us a variable interest in the lessor entity, however we have concluded that we do not have the power to direct the activities that most significantly impact the lessor entities’ economic performance and as a result do not consider ourselves to be the primary beneficiary of such entities.

(c) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Fiscal Year

We utilize a 52- or 53-week accounting period that ends on the last Sunday in December. The fiscal years ended December 25, 2011, and December 26, 2010, comprised 52 weeks. The fiscal year ended December 30, 2012 was a 53-week year. The 53rd week of fiscal 2012 contributed \$22,316 in restaurant sales and \$1,536 in franchise royalties and fees.

(e) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

(f) Marketable Securities

Marketable securities consist of available-for-sale securities and trading securities that are carried at fair value and held-to-maturity securities that are stated at amortized cost, which approximates market.

Available-for-sale securities are classified as current assets based upon our intent and ability to use any and all of the securities as necessary to satisfy the operational requirements of our business. Realized gains and losses from the sale of available-for-sale securities were not material for fiscal 2012, 2011, and 2010. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. The available-for-sale investments carry short-term repricing features which generally result in these investments having a value at or near par value (cost).

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
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Trading securities are stated at fair value, with gains or losses resulting from changes in fair value recognized currently in earnings as investment income. We have funded a deferred compensation plan using trading assets in a marketable equity portfolio. This portfolio is held to generate returns that seek to offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. These deferred compensation liabilities were \$6,172 and \$5,153 as of December 30, 2012 and December 25, 2011, respectively, and are included in accrued compensation and benefits in the accompanying consolidated balance sheets.

(g) Accounts Receivable

Accounts receivable consists primarily of contractually-determined receivables for leasehold improvements, credit cards, vendor allowances, and franchise royalties. Cash flows related to accounts receivable are classified in net cash provided by operating activities in the Consolidated Statements of Cash Flows.

(h) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. Cash flows related to inventory sales are classified in net cash provided by operating activities in the Consolidated Statements of Cash Flows.

We purchase products from a number of suppliers and believe there are alternative suppliers. We have minimum purchase commitments from some of our vendors but the terms of the contracts and nature of the products are such that purchase requirements do not create a market risk. The primary food product used by company-owned and franchised restaurants is chicken wings. Current month chicken wing prices are determined based on the average of the previous month's spot rates. For fiscal 2012, 2011, and 2010, chicken wings were 27%, 19%, and 24%, respectively, of restaurant cost of sales.

(i) Property and Equipment

Property and equipment are recorded at cost. Leasehold improvements, which include the cost of improvements funded by landlord incentives or allowances, are amortized using the straight-line method over the lesser of the term of the lease, without consideration of renewal options, or the estimated useful lives of the assets, which typically range from five to ten years. Leasehold improvements related to remodels are depreciated using the straight-line method over the estimated useful life, which is typically 5 years. Buildings are depreciated using the straight-line method over the estimated useful life, which ranges from 10 to 20 years. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to eight years. Maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the related gains or losses are credited or charged to earnings.

We review property and equipment, along with other long-lived assets, quarterly to determine if triggering events have occurred which would require a test to determine if the carrying value of these assets may not be recoverable based on estimated future undiscounted cash flows. Assets are reviewed at the lowest level for which cash flows can be identified, which is the individual restaurant level. In determining future cash flows, significant estimates are made by us with respect to future operating results of each restaurant over its remaining lease term. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value is generally determined by estimated discounted future cash flows.

(j) Goodwill, Reacquired Franchise Rights, and Other Assets

Goodwill represents the excess of cost over the fair value of identified net assets of businesses acquired. Goodwill and indefinite-life purchased liquor licenses are subject to an annual impairment analysis. We identify potential impairments of goodwill by comparing the fair value of the reporting unit to its carrying amount, which includes goodwill and other intangible assets. The fair value of the reporting unit is calculated using a market approach. If the fair value of the reporting unit exceeds the carrying amount, the assets are not impaired. If the carrying amount exceeds the fair value, this is an indication that impairment may exist. We calculate the amount of the impairment by comparing the fair value of the assets and liabilities to the fair value of the reporting unit. The fair value of the reporting unit in excess of the value of the assets and liabilities is the implied fair value of the goodwill.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)

If this amount is less than the carrying amount of goodwill, impairment is recognized for the difference. All goodwill was considered recoverable as of December 30, 2012.

Reacquired franchise rights are amortized over the life of the related franchise agreement. We evaluate reacquired franchise rights in conjunction with our impairment evaluation of long-lived assets.

Other assets consist primarily of liquor licenses. Liquor licenses are either amortized over their annual renewal period or, if purchased, are carried at the lower of fair value or cost. We identify potential impairments for liquor licenses by comparing the fair value with its carrying amount. If the fair value exceeds the carrying amount, the liquor licenses are not impaired. If the carrying amount exceeds the fair value, we calculate the possible impairment by comparing the fair value of the liquor licenses with the carrying amount. If the fair value of the asset is less than the carrying amount, an impairment is recorded. The carrying amount of the liquor licenses not subject to amortization as of December 30, 2012 and December 25, 2011 was \$3,867 and \$2,455, respectively, and is included in other assets in the accompanying consolidated balance sheets.

(k) Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and other current assets and liabilities approximate fair value because of their short-term maturity.

(l) Asset Retirement Obligations

An asset retirement obligation associated with the retirement of a tangible long-lived asset is recognized as a liability in the period incurred or when it becomes determinable, with an associated increase in the carrying amount of the related long-lived asset. We must recognize a liability for the fair value of a conditional asset retirement obligation when incurred, if the liability's fair value can be reasonably estimated. Conditional asset retirement obligations are legal obligations to perform asset retirement activities when the timing and/or method of settlement are conditional on a future event or may not be within our control. Asset retirement costs are depreciated over the useful life of the related asset. As of December 30, 2012 and December 25, 2011, we had asset retirement obligations of \$357 and \$304, respectively.

(m) Foreign Currency

Our reporting currency is the U.S. dollar, while the functional currency of our Canadian operations is the Canadian dollar. Our assets and liabilities denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Revenues, expenses, and cash flows are translated using the average exchange rate for the period.

(n) Revenue Recognition

Franchise agreements have terms ranging from 10 to 20 years. These agreements also convey multiple extension terms of five or ten years, depending on contract terms and certain conditions that must be met. We provide the use of the Buffalo Wild Wings trademarks, system, training, preopening assistance, and restaurant operating assistance in exchange for area development fees, franchise fees, and royalties of 5% of a restaurant's sales.

Franchise fee revenue from individual franchise sales is recognized upon the opening of the franchised restaurant when all material obligations and initial services to be provided by us have been performed. Area development fees are dependent upon the number of restaurants in the territory, as are our obligations under the area development agreement. Consequently, as obligations are met, area development fees are recognized proportionally with expenses incurred with the opening of each new restaurant and any royalty-free periods. Royalties are accrued as earned and are calculated each period based on restaurant sales.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
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Sales from company-owned restaurant revenues are recognized as revenue at the point of the delivery of meals and services. All sales taxes are presented on a net basis and are excluded from revenue.

(o) Franchise Operations

We enter into franchise agreements with unrelated third parties to build and operate restaurants using the Buffalo Wild Wings brand within a defined geographical area. We believe that franchising is an effective and efficient means to expand the Buffalo Wild Wings brand. The franchisee is required to operate their restaurants in compliance with their franchise agreement that includes adherence to operating and quality control procedures established by us. We do not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, we do not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and we elect to terminate the franchise agreement, we have the right but not the obligation to acquire the assets of the franchisee at fair value as determined by an independent appraiser. We have financial exposure for the collection of the royalty payments. Franchisees generally remit royalty payments weekly for the prior week's sales, which substantially minimizes our financial exposure. Historically, we have experienced insignificant write-offs of franchisee royalties. Franchise and area development fees are paid upon the signing of the related agreements.

(p) Advertising Costs

Contributions from franchisees related to the national advertising fund constitute agency transactions and are not recognized as revenues and expenses. Related advertising obligations are accrued and the costs expensed at the same time the related contributions are recognized. These advertising fees are recorded as a liability against which specific costs are charged.

Contributions to the national advertising fund related to company-owned restaurants are expensed as contributed and local advertising costs for company-owned restaurants are expensed as incurred. These costs aggregated \$35,080, \$26,127, and \$20,415, in fiscal years 2012, 2011, and 2010, respectively.

(q) Preopening Costs

Costs associated with the opening of new company-owned restaurants are expensed as incurred.

(r) Payments Received from Vendors

Vendor allowances include allowances and other funds received from vendors. Certain of these funds are determined based on various quantitative contract terms. We also receive vendor allowances from certain manufacturers and distributors calculated based upon purchases made by franchisees. Amounts that represent a reimbursement of costs incurred, such as advertising, are recorded as a reduction of the related expense. Amounts that represent a reduction of inventory purchase costs are recorded as a reduction of inventoriable costs. We recorded an estimate of earned vendor allowances that are calculated based upon monthly purchases. We generally receive payment from vendors approximately 30 days from the end of a month for that month's purchases. During fiscal 2012, 2011, and 2010, vendor allowances were recorded as a reduction in inventoriable costs, and cost of sales was reduced by \$8,731, \$7,032, and \$6,385, respectively.

(s) Restricted Assets and System-wide Payables

We have a system-wide marketing and advertising fund. Company-owned and franchised restaurants are required to remit a designated portion of restaurant sales to a national advertising fund that is used for marketing and advertising efforts throughout the system. That amount was 3% of restaurant sales in all years presented. Certain payments received from various vendors are also deposited into the national advertising fund. These funds are used for development and implementation of system-wide initiatives and programs. As of December 30, 2012 and December 25, 2011, the national advertising fund liability was \$12,865 and \$20,586, respectively.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
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We have a system-wide gift card fund which consists of a cash balance, which is restricted to funding of future gift card redemptions and gift card related costs, and a corresponding liability for those outstanding gift cards which we believe will be redeemed in the future. As of December 30, 2012 and December 25, 2011, the gift card liability was \$38,699 and \$23,664, respectively. Recognized gift card breakage is transferred to the national advertising fund.

We account for the assets and liabilities of these funds as "restricted assets" and "system-wide payables" on our accompanying consolidated balance sheets.

(t) Earnings Per Common Share

Basic earnings per common share excludes dilution and is computed by dividing the net earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include dilutive common stock equivalents consisting of stock options determined by the treasury stock method. Restricted stock units are contingently issuable shares subject to vesting based on performance criteria. Vesting typically occurs in the fourth quarter of the year when income targets have been met. Upon vesting, the shares to be issued are included in the diluted earnings per share calculation as of the beginning of the period in which the vesting conditions are satisfied. Restricted stock units included in diluted earnings per share are net of the required minimum employee withholding taxes.

(u) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the balance sheet carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effects of changes in income tax rates or law changes are included in the provision for income taxes in the period enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

(v) Deferred Lease Credits

Deferred lease credits consist of reimbursement of costs of leasehold improvements from our lessors and adjustments to recognize rent expense on a straight-line basis. Reimbursements are amortized on a straight-line basis over the term of the applicable lease, without consideration of renewal options. Leases typically have an initial lease term of between 10 and 15 years and contain renewal options under which we may extend the terms for periods of three to five years. Certain leases contain rent escalation clauses that require higher rental payments in later years. Leases may also contain rent holidays, or free rent periods, during the lease term. Rent expense is recognized on a straight-line basis over the term of the lease commencing at the start of our construction period for the restaurant, without consideration of renewal options, unless renewals are reasonably assured because failure to renew would result in an economic penalty.

(w) Stock-Based Compensation

We maintain a stock equity incentive plan under which we may grant non-qualified stock options, incentive stock options, and restricted stock units to employees, non-employee directors and consultants. We also have an employee stock purchase plan (ESPP).

Stock-based compensation expense is recognized in the consolidated financial statements for granted, modified, or settled stock options, and for expense related to the ESPP since the related purchase discounts exceeded the amount allowed for non-compensatory treatment. Restricted stock units vesting upon the achievement of certain performance targets are expensed based on the fair value on the date of grant, net of estimated forfeitures. All stock-based compensation is recognized as general and administrative expense.

Total stock-based compensation expense recognized in the consolidated statement of earnings for fiscal year 2012 was \$8,119 before income taxes and consisted of restricted stock units, stock options, and ESPP expense of \$6,710, \$879 and \$530, respectively. The related total tax benefit recognized in 2012 was \$2,670.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)**

Total stock-based compensation expense recognized in the consolidated statement of earnings for fiscal year 2011 was \$11,383 before income taxes and consisted of restricted stock units, stock options, and ESPP expense of \$9,985, \$920 and \$478, respectively. The related total tax benefit recognized in 2011 was \$3,929.

Total stock-based compensation expense recognized in the consolidated statement of earnings for fiscal year 2010 was \$7,712 before income taxes and consisted of restricted stock, stock options, and ESPP expense of \$6,519, \$560 and \$633, respectively. The related total tax benefit recognized in 2010 was \$2,528.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option valuation model with the following assumptions:

	Stock Options		
	December 30, 2012	December 25, 2011	December 26, 2010
Expected dividend yield	0.0%	0.0%	0.0%
Expected stock price volatility	53.6%	54.1%	54.4%
Risk-free interest rate	1.1%	2.2%	2.6%
Expected life of options (years)	5	5	5

	Employee Stock Purchase Plan		
	December 30, 2012	December 25, 2011	December 26, 2010
Expected dividend yield	0.0%	0.0%	0.0%
Expected stock price volatility	48.1 - 48.7%	49.2 - 50.1%	50.0 - 50.6%
Risk-free interest rate	0.15%	0.04 - 0.07%	0.19 - 0.30%
Expected life of options (years)	0.5	0.5%	0.5

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. Expected stock price volatility is based on historical volatility of our stock. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term. We have not paid dividends in the past.

(x) New Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-02 "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Assets for Impairment." ASU 2012-02 gives companies the option to perform a qualitative assessment before calculating the fair value of the indefinite-lived intangible asset. Under the guidance in ASU 2012-02, if this option is selected, a company is not required to calculate the fair value of the indefinite-lived intangible unless the entity determines it is more likely than not that its fair value is less than its carrying amount. The provisions of ASU 2012-02 are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, but early adoption is permitted. We have elected not to early adopt the provisions of ASU 2012-02 and do not expect ASU 2012-02 to materially impact our consolidated financial statements.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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(2) Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition of fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table summarizes the financial instruments measured at fair value in our consolidated balance sheet as of December 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash Equivalents	\$ 5,280	—	—	5,280
Marketable Securities	6,297	512	—	6,809

The following table summarizes the financial instruments measured at fair value in our consolidated balance sheet as of December 25, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash Equivalents	\$ 10,103	1,500	—	11,603
Marketable Securities	5,304	—	—	5,304

We classified a portion of our marketable securities as available-for-sale and trading securities which were reported at fair market value, using the “market approach” valuation technique. The “market approach” valuation method uses prices and other relevant information observable in market transactions involving identical or comparable assets to determine fair market value. Our cash equivalents include commercial paper and money market funds which are valued using Level 1 and Level 2 approaches. Our trading securities are valued using the Level 1 approach. Our available-for-sale marketable securities are valued using a Level 2 approach, using observable direct and indirect inputs for municipal bonds.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the fiscal years ended December 30, 2012, December 25, 2011, and December 26, 2010.

Our financial assets and liabilities requiring a fair-value measurement on a non-recurring basis were not significant as of December 30, 2012 or December 25, 2011.

Assets and liabilities that are measured at fair value on a recurring basis

At December 30, 2012, we did not have any significant nonfinancial assets or liabilities that required a fair-value measurement on a recurring basis.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

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Assets and liabilities that are measured at fair value on a non-recurring basis

We generally estimate long-lived asset fair values, including property, plant and equipment and leasehold improvements, using the income approach. The inputs used to determine fair value relate primarily to future assumptions regarding restaurant sales and profitability. These inputs are categorized as Level 3 inputs. The inputs used represent management's assumptions about what information market participants would use in pricing the assets and are based upon the best information available at the balance sheet date.

Financial assets and liabilities not measured at fair value

Certain of our financial assets and liabilities are recorded at their carrying amounts which approximate fair value, based on their short-term nature or variable interest rate. These financial assets and liabilities include cash, accounts receivable, accounts payable, and other current assets and liabilities.

(3) Marketable Securities

Marketable securities consisted of the following:

	December 30, 2012	December 25, 2011
Held-to-maturity		
Municipal securities	\$ 2,770	34,652
Available-for-sale		
Municipal securities	512	—
Trading		
Mutual funds	6,297	5,304
Total	<u>\$ 9,579</u>	<u>39,956</u>

Purchases of available for-sale securities totaled \$115,737 and sales totaled \$115,151 in 2012. Purchases of held-to-maturity securities totaled \$17,000 and proceeds from maturities totaled \$48,357 in 2012. All held-to-maturity debt securities mature within one year and had an aggregate fair value of \$2,770 at December 30, 2012.

Purchases of available for-sale securities totaled \$58,932 and sales totaled \$70,955 in 2011. Purchases of held-to-maturity securities totaled \$38,142 and proceeds from maturities totaled \$43,383 in 2011. All held-to-maturity debt securities mature within one year and had an aggregate fair value of \$34,640 at December 25, 2011.

Purchases of available for-sale securities totaled \$56,088 and sales totaled \$68,440 in 2010. Purchases of held-to-maturity securities totaled \$43,607 and proceeds from maturities totaled \$18,899 in 2010.

Trading securities represent investments held for future needs of our non-qualified deferred compensation plan.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
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(4) Property and Equipment

Property and equipment consisted of the following:

	December 30, 2012	December 25, 2011
Construction in process	\$ 23,744	20,078
Buildings	53,962	37,956
Furniture, fixtures, and equipment	212,729	175,718
Leasehold improvements	313,354	245,506
Property and equipment, gross	603,789	479,258
Less accumulated depreciation	(217,219)	(169,088)
Property and equipment, net	\$ 386,570	310,170

(5) Goodwill and Other Intangible Assets

Goodwill is summarized below:

	December 30, 2012	December 25, 2011
Beginning of year	\$ 17,770	11,246
Additions	14,588	6,524
Adjustments	7	—
End of year	\$ 32,365	17,770

Goodwill is not subject to amortization but nearly all is deductible for tax purposes.

Reacquired franchise rights consisted of the following:

	December 30, 2012	December 25, 2011
Reacquired franchise rights	\$ 43,020	23,370
Accumulated amortization	(5,650)	(2,342)
Reacquired franchise rights, net	\$ 37,370	21,028

Amortization expense related to reacquired franchise rights for fiscal 2012, 2011, and 2010 was \$3,308, \$910, and \$614, respectively. The weighted average amortization period is 14 years. Estimated future amortization expense as of December 30, 2012 was as follows:

Fiscal year ending:	
2013	\$ 5,097
2014	4,494
2015	4,086
2016	3,716
2017	3,357
Thereafter	16,620
Total future amortization expense	\$ 37,370

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
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(6) Lease Commitments

We have operating leases related to all of our restaurants and corporate offices that have various expiration dates. Most of these operating leases contain renewal options. In addition to base rents, leases typically require us to pay our share of common area maintenance, insurance, real estate taxes, and other operating costs. Certain leases also include provisions for contingent rentals based upon sales.

Future minimum rental payments due under noncancelable operating leases for existing restaurants and commitments for restaurants under development as of December 30, 2012 were as follows:

Fiscal year ending:	Operating leases	Restaurants under development
2013	\$ 49,725	3,067
2014	48,802	5,654
2015	47,279	5,691
2016	45,121	5,691
2017	42,315	5,715
Thereafter	229,320	49,531
Total future minimum lease payments	<u>\$ 462,562</u>	<u>75,349</u>

In 2012, 2011, and 2010, we rented office space under operating leases which, in addition to the minimum lease payments, require payment of a proportionate share of the real estate taxes and building operating expenses. We also rent restaurant space under operating leases, some of which, in addition to the minimum lease payments and proportionate share of real estate and operating expenses, require payment of percentage rents based upon sales levels. Rent expense, excluding our proportionate share of real estate taxes and building operating expenses, was as follows:

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Minimum rents	\$ 43,780	36,647	30,438
Percentage rents	608	371	285
Total	<u>\$ 44,388</u>	<u>37,018</u>	<u>30,723</u>
Equipment and auto leases	<u>\$ 479</u>	<u>452</u>	<u>536</u>

(7) Derivative Instruments

We have used commodity derivatives to manage our exposure to price fluctuations. We may enter into options and future contracts to reduce our risk of natural gas price fluctuations. These derivatives do not qualify for hedge accounting and changes in fair value are included in current net income. These changes are classified as a component of restaurant operating expenses. All changes in the fair value of these contracts are recorded in earnings in the period in which they occur. Net losses of \$1, and \$225 were recognized in fiscal 2011, and 2010, respectively. As of December 30, 2012 and December 25, 2011, we had no outstanding natural gas swap contracts or other derivatives.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)**

(8) Income Taxes

The components of earnings (loss) before taxes were as follows:

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
United States	\$ 89,430	75,813	57,631
Foreign	(6,062)	(2,911)	(606)
Total earnings before taxes	\$ 83,368	72,902	57,025

The provision for income taxes consisted of the following:

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Current:			
Federal	\$ 22,642	6,009	9,345
State	4,285	3,651	2,794
Deferred:			
Federal	1,286	13,297	6,462
State	(525)	394	24
Foreign	(1,595)	(875)	—
Total income tax expense	\$ 26,093	22,476	18,625

The following is a reconciliation of the expected federal income taxes (benefits) at the statutory rate of 35% to the actual provision for income taxes:

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Expected federal income tax expense	\$ 29,179	25,516	19,959
State income tax expense, net of federal effect	2,433	2,660	1,944
General business credits	(6,006)	(5,808)	(3,902)
Other, net	487	108	624
Total income tax expense	\$ 26,093	22,476	18,625

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)

Deferred tax assets and liabilities are classified as current and noncurrent on the basis of the classification of the related asset or liability for financial reporting. Deferred income taxes are provided for temporary differences between the basis of assets and liabilities for financial reporting purposes and income tax purposes. Temporary differences comprising the net deferred tax assets and liabilities on the accompanying consolidated balance sheets are as follows:

	December 30, 2012	December 25, 2011
Deferred tax assets:		
Unearned revenue	\$ 919	982
Accrued compensation and benefits	3,570	2,956
Deferred lease credits	8,450	5,231
Stock-based compensation	2,362	2,727
Advertising costs	733	2,260
Foreign NOL/Other	2,470	875
Other	2,501	1,604
Total	\$ 21,005	16,635
Deferred tax liabilities:		
Depreciation	\$ 48,423	46,354
Goodwill and other amortization	1,466	1,595
Future taxes on foreign earnings	2,470	875
Total	\$ 52,359	48,824

A valuation allowance is established when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent upon the generation of future taxable income or the reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. We consider the reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Since we believe sufficient future taxable income will be generated to utilize the benefits of the deferred tax assets, a valuation allowance has not been recognized. Our foreign net operating losses begin expiring in 2030.

The following is a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	Fiscal Years Ended	
	December 30, 2012	December 25, 2011
Beginning of year	\$ 732	\$ 721
Additions based on tax positions related to the current year	179	165
Reductions based on tax positions related to prior years	—	(21)
Reductions based on expiration of statute of limitations	(129)	(133)
End of year	\$ 782	\$ 732

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During fiscal 2012, 2011, and 2010, interest and penalties of (\$5), (\$18), and (\$5), respectively, were included in income tax expense. As of December 30, 2012, and December 25, 2011, interest and penalties related to unrecognized tax benefits totaled \$68 and \$60, respectively. Included in the balance at December 30, 2012, and December 25, 2011, are unrecognized tax benefits of \$509 and \$476, respectively, which if recognized, would affect the annual effective tax rate. The difference between these amounts and the amount reflected in the reconciliation above relates to the deferred U.S. federal income tax benefit on unrecognized tax benefits related to U.S. state income taxes.

Our income tax returns are subject to examination in both the U.S., by federal, state and local jurisdictions, and in Canada. With few exceptions, we are no longer subject to U.S. federal, state, or local examinations for years prior to fiscal 2009. The Canadian income tax returns are subject to review for fiscal years 2010 through 2012.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)**

We do not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statutes of limitations prior to December 29, 2013.

(9) Stockholders' Equity

(a) Stock Options

We have 5.4 million shares of common stock reserved for issuance under the Equity Incentive Plan (Plan) for our employees, officers, and directors. The exercise price for stock options issued under the Plan is to be not less than the fair market value on the date of grant with respect to incentive and nonqualified stock options. Incentive stock options become exercisable in four equal installments from the date of the grant and have a contractual life of seven to ten years. Nonqualified stock options issued pursuant to the Plan have varying vesting periods from immediately to four years and have a contractual life of seven to ten years. Incentive stock options may be granted under this plan until March 12, 2022. We issue new shares of common stock upon exercise of stock options. Option activity is summarized for the year ended December 30, 2012 as follows:

	Number of shares	Weighted average exercise price	Average remaining contractual life (years)	Aggregate Intrinsic Value
Outstanding, December 25, 2011	182,629	\$ 34.06	4.0	\$ 6,242
Granted	27,691	94.42		
Exercised	(51,469)	22.91		
Cancelled	(6,954)	53.12		
Outstanding, December 30, 2012	151,897	\$ 47.97	3.9	\$ 4,232
Exercisable, December 30, 2012	108,570	38.67	3.3	3,760

The aggregate intrinsic value in the table above is before applicable income taxes, based on our closing stock price of \$71.94 as of the last business day of the year ended December 30, 2012, which would have been received by the optionees had all options been exercised on that date. As of December 30, 2012, total unrecognized stock-based compensation expense related to nonvested stock options was approximately \$1,149, which is expected to be recognized over a weighted average period of approximately 2.4 years. During 2012, 2011, and 2010, the total intrinsic value of stock options exercised was \$2,887, \$1,700, and \$928, respectively. During 2012, 2011, and 2010, the total fair value of options vested was \$852, \$751, and \$536, respectively. During 2012, 2011, and 2010, the weighted average grant date fair value of options granted was \$43.97, \$26.07, and \$23.82, respectively.

The following table summarizes our stock options outstanding at December 30, 2012:

Range	Options outstanding			Options exercisable	
	Shares	Average remaining contractual life (years)	Weighted average exercise price	Shares	Weighted average exercise price
\$ 6.38 – 24.96	26,616	1.6	\$ 20.45	26,616	\$ 20.45
30.87 – 31.00	39,539	3.0	30.91	39,539	30.91
48.35 – 51.42	29,504	4.0	48.38	21,373	48.35
53.75 – 94.42	56,238	5.5	72.76	21,042	66.46
	<u>151,897</u>			<u>108,570</u>	

The Plan has 1,589,734 shares available for grant as of December 30, 2012.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)

(b) Restricted Stock Units

Restricted stock units are granted annually under the Plan at the discretion of the Compensation Committee of the Board of Directors.

In 2012, 2011, and 2010, we granted restricted stock units subject to three-year cliff vesting and a cumulative three-year earnings target. The number of units which vest at the end of the three-year period is based on performance against the target. These restricted stock units are subject to forfeiture if they have not vested at the end of the three-year period. Stock-based compensation is recognized for the expected number of units expected to vest at the end of the period and is expensed beginning on the grant date through the end of the performance period.

For each grant, restricted stock units meeting the performance criteria will vest as of the end of our fiscal year. The distribution of vested restricted stock units as common stock typically occurs in March of the following year. The common stock is issued to participants net of the number of shares needed for the required minimum employee withholding taxes. We issue new shares of common stock upon the disbursement of restricted stock units. Restricted stock units are contingently issuable shares, and the activity for fiscal 2012 is as follows:

	Number of shares	Weighted average grant date fair value
Outstanding, December 25, 2011	360,280	\$ 45.95
Granted	140,986	92.71
Vested	(180,337)	42.06
Cancelled	(38,836)	54.39
Outstanding, December 30, 2012	282,093	\$ 70.64

As of December 30, 2012, the stock-based compensation expense related to nonvested awards not yet recognized was \$7,323, which is expected to be recognized over a weighted average period of 1.7 years. During fiscal years 2012 and 2011 the total grant date fair value of shares vested was \$7,585 and \$9,845, respectively. The weighted average grant date fair value of restricted stock units granted during 2012, 2011, and 2010 was \$92.71, \$53.94, and \$40.82, respectively. During 2012 and 2011, we recognized \$6,710 and \$9,985, respectively, of stock-based compensation expense related to restricted stock units.

(c) Employee Stock Purchase Plan

We have reserved 600,000 shares of common stock for issuance under the ESPP. The ESPP is available to substantially all employees subject to employment eligibility requirements. Participants may purchase our common stock at 85% of the beginning or ending closing price, whichever is lower, for each six-month period ending in May and November. During 2012, 2011, and 2010, we issued 26,742, 30,127, and 36,049 shares, respectively, of common stock. As of December 30, 2012, we had 247,920 shares available for future issuance under the ESPP.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)**

(10) Earnings Per Common Share

The following is a reconciliation of basic and fully diluted earnings per common share for fiscal 2012, 2011, and 2010:

	Fiscal year ended December 30, 2012		
	Earnings (numerator)	Shares (denominator)	Per-share amount
Net earnings	\$ 57,275		
Earnings per common share	57,275	18,582,205	\$ 3.08
Effect of dilutive securities – stock options	—	79,693	
Effect of dilutive securities – restricted stock units	—	42,764	
Earnings per common share – assuming dilution	\$ 57,275	18,704,662	\$ 3.06

	Fiscal year ended December 25, 2011		
	Earnings (numerator)	Shares (denominator)	Per-share amount
Net earnings	\$ 50,426		
Earnings per common share	50,426	18,337,433	\$ 2.75
Effect of dilutive securities – stock options	—	73,249	
Effect of dilutive securities – restricted stock units	—	72,415	
Earnings per common share – assuming dilution	\$ 50,426	18,483,097	\$ 2.73

	Fiscal year ended December 26, 2010		
	Earnings (numerator)	Shares (denominator)	Per-share amount
Net earnings	\$ 38,400		
Earnings per common share	38,400	18,175,358	\$ 2.11
Effect of dilutive securities – stock options	—	72,391	
Effect of dilutive securities – restricted stock units	—	21,812	
Earnings per common share – assuming dilution	\$ 38,400	18,269,561	\$ 2.10

The following is a summary of those securities outstanding at the end of the respective periods, which have been excluded from the fully diluted calculations because the effect on net earnings per common share would have been anti-dilutive or were performance-granted shares for which the performance criteria had not yet been met:

	December 30, 2012	December 25, 2011	December 26, 2010
Stock options	20,484	11,233	—
Restricted stock units	282,093	360,280	493,653

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
December 30, 2012 and December 25, 2011
(Dollar amounts in thousands, except per-share amounts)**

(11) Supplemental Disclosures of Cash Flow Information

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Cash paid during the period for:			
Income taxes	\$ 19,675	6,755	15,315
Noncash financing and investing transactions:			
Property and equipment not yet paid for	3,138	(5,211)	2,298
Tax withholding for restricted stock units	4,418	5,828	1,780
Goodwill adjustment	7	—	—

(12) Loss on Asset Disposals and Store Closures

In 2012, 2011, and 2010, we closed restaurants resulting in a charge to earnings for remaining lease obligations, utilities, and other related costs. These charges were recognized as a part of the loss on asset disposals and store closures on our accompanying consolidated statements of earnings.

The following is a rollforward of the store closing reserve:

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Beginning reserve balance	\$ 18	60	—
Store closing costs incurred	413	205	310
Costs paid	(409)	(247)	(250)
Ending reserve balance	<u>\$ 22</u>	<u>18</u>	<u>60</u>

The following is a summary of the loss on asset disposals and store closure charges recognized by us:

	Fiscal Years Ended		
	December 30, 2012	December 25, 2011	December 26, 2010
Store closing charges	\$ 413	205	310
Miscellaneous asset write-offs	2,878	1,724	1,741
Loss on asset disposals and store closures	<u>\$ 3,291</u>	<u>1,929</u>	<u>2,051</u>

(13) Defined Contribution Plans

We have a defined contribution 401(k) plan whereby eligible employees may contribute pretax wages in accordance with the provisions of the plan. We match 100% of the first 3% and 50% of the next 2% of contributions made by eligible employees. Matching contributions of approximately \$1,660, \$1,249, and \$1,005 were made by us during fiscal 2012, 2011, and 2010, respectively.

BUFFALO WILD WINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 30, 2012 and December 25, 2011 (Dollar amounts in thousands, except per-share amounts)

Under our Management Deferred Compensation Plan, our executive officers and certain other individuals are entitled to receive an amount equal to a percentage of their base salary ranging from 5.0% to 12.5% which is credited on a monthly basis to their deferred compensation account. Cash contributions of \$517, \$435, and \$329 were made by us during 2012, 2011, and 2010, respectively. Such amounts are subject to certain vesting provisions, depending on length of employment and circumstances of employment termination. In addition, individuals may elect to defer a portion or all of their cash compensation.

(14) Related Party Transactions

It is our policy that all related party transactions must be disclosed and approved by the disinterested directors. We have evaluated the terms and considerations for such related party transactions and compared and evaluated these terms to amounts that would have to be paid or received, as applicable, in arms-length transactions with independent third-parties. We believe all related party transactions are comparable to arms-length.

A member of our board of directors, Warren Mack, is an officer at one of our major law firms. Another member of our board of directors, Jerry Rose, was an officer at one of our suppliers.

(15) Contingencies

We are involved in various legal matters arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

(16) Acquisition of Franchised Restaurants

During 2012, we acquired 18 Buffalo Wild Wings franchised restaurants through three acquisitions. During 2011, we also acquired 18 Buffalo Wild Wings franchised restaurants through three acquisitions. The total purchase price in 2012 and 2011 was \$43,580 and \$33,744, respectively, and was paid in cash and was funded by cash from operations and the sale of marketable securities. The acquisitions were accounted for as business combinations. The assets acquired and liabilities assumed were recorded based on their fair values at the time of the acquisitions as detailed below:

	Fiscal Years Ended	
	December 30, 2012	December 25, 2011
Inventory, prepaids, and other assets	\$ 563	\$ 789
Equipment and leasehold improvements	9,529	11,265
Lease liabilities	(750)	(279)
Deferred income taxes	—	(885)
Reacquired franchise rights	19,650	16,330
Goodwill	14,588	6,524
Total purchase price	<u>\$ 43,580</u>	<u>\$ 33,744</u>

The excess of the purchase price over the aggregate fair value of assets acquired was allocated to goodwill. The assessment of the valuation of certain assets acquired and liabilities assumed during 2012 is preliminary; if new information is obtained about facts and circumstances that existed at the acquisition date, the acquisition accounting will be revised to reflect the resulting adjustments to current estimates of these items. The results of operations of these locations are included in our consolidated statement of earnings as of the date of acquisition.

(17) Subsequent Events

In February 2013, we entered into a three-year \$100,000 unsecured revolving credit facility. A loan under the facility shall bear interest at a rate per annum equal to, at our election, either (i) LIBOR for an interest period of one month, reset daily, plus 0.875%, if our consolidated total leverage ratio is less than or equal to 0.50 to 1.00, or plus 1.125% if our total leverage ratio is greater than or equal to .51 to 1.00, or (ii) LIBOR for an interest period of one, two, three, six or twelve months, reset at the end of the selected interest period, plus 0.875%, if our consolidated total leverage ratio is less than or equal to 0.50 to 1.00, or plus 1.125% if our consolidated total leverage ratio is greater than or equal to .51 to 1.00.

There is a commitment fee on the average unused portion of the facility at a rate per annum equal to 0.15%, if our consolidated total leverage ratio is less than or equal to 0.50, or 0.20% if our consolidated total leverage ratio is greater than or equal to 0.51.

The Credit Agreement requires us to maintain (a) consolidated coverage ratio as of the end of each fiscal quarter at no less than 2.50 to 1.00, (b) consolidated total leverage ratio as of the end of each fiscal quarter at no more than 2.00 to 1.00 and (c) minimum EBITDA during any consecutive four quarter period at no less than \$100,000,000. The Credit Agreement also contains other customary affirmative and negative covenants, including covenants that restrict the right of the Company and its subsidiaries to merge, to lease, sell or otherwise dispose of assets, to make investments and to grant liens on their assets.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to us and our subsidiaries required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the date of such evaluation to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive and chief financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. It is possible to design into the process safeguards to reduce, though not eliminate, the risk that misstatements are not prevented or detected on a timely basis. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company.

Management assessed the effectiveness of our internal control over financial reporting as of December 30, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on this assessment, our management concluded that, as of December 30, 2012, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Our independent registered public accounting firm, KPMG LLP, has issued an audit report on the effectiveness of our internal control over financial reporting.

Change in Internal Control Over Financial Reporting

There were no changes in the our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Buffalo Wild Wings, Inc.:

We have audited Buffalo Wild Wings Inc.'s internal control over financial reporting as of December 30, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Buffalo Wild Wings, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Buffalo Wild Wings, Inc. and subsidiaries as of December 30, 2012 and December 25, 2011, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 30, 2012, and our report dated February 28, 2013 expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG LLP

Minneapolis, Minnesota
February 28, 2013

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is contained in Part I of this document under the heading “Executive Officers,” and the sections entitled “Election of Directors,” “Compliance with Section 16(a) of the Exchange Act,” and “Corporate Governance” appearing in our Proxy Statement to be delivered to shareholders in connection with the 2013 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

Our Board of Directors has adopted a Code of Ethics & Business Conduct for all employees and directors. A copy of this document is available on our website at www.buffalowildwings.com, free of charge, under the Corporate Governance Investors section. We will satisfy any disclosure requirements under Item 10 or Form 8-K regarding an amendment to, or waiver from, any provision of the Code with respect to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions by disclosing the nature of such amendment or waiver on our website or in a report on Form 8-K.

Our Board of Directors has determined that Mr. J. Oliver Maggard and Mr. Jerry Rose, members of the Audit Committee and independent directors, are audit committee financial experts, as defined under 407(d)(5) of Regulation S-K. Mr. Maggard and Mr. Rose are “independent directors” as that term is defined in Nasdaq Rule 4200(a)(15). The designation of Mr. Maggard and Mr. Rose as the audit committee financial experts does not impose on Mr. Maggard or Mr. Rose any duties, obligations or liability that are greater than the duties, obligations and liability imposed on Mr. Maggard or Mr. Rose as members of the Audit Committee and the Board of Directors in the absence of such designation or identification.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is contained in the sections entitled “Executive Compensation” and “Compensation Discussion and Analysis” appearing in our Proxy Statement to be delivered to shareholders in connection with the 2013 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item relating to the security ownership of certain holders is contained in the sections entitled “Security Ownership of Officers and Directors,” “Security Ownership of Certain Beneficial Holders,” and “Equity Compensation Plan Information” appearing in our Proxy Statement to be delivered to shareholders in connection with the 2013 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is contained in the sections entitled “Corporate Governance” and “Certain Relationships and Related Transactions” appearing in our Proxy Statement to be delivered to shareholders in connection with the 2013 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is contained in the section entitled “Independent Registered Public Accounting Firm” appearing in our Proxy Statement to be delivered to shareholders in connection with the 2013 Annual Meeting of Shareholders. Such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *Financial Statements.* The following consolidated financial statements of ours are filed with this report and can be found at Item 8 of this Form 10-K.

Report of Independent Registered Public Accounting Firm dated February 28, 2013

Consolidated Balance Sheets as of December 30, 2012 and December 25, 2011

Consolidated Statements of Earnings for the Fiscal Years Ended December 30, 2012, December 25, 2011, and December 26, 2010

Consolidated Statements of Comprehensive Income for the Fiscal Years Ended December 30, 2012, December 25, 2011, and December 26, 2010

Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended December 30, 2012, December 25, 2011, and December 26, 2010

Consolidated Statements of Cash Flows for the Fiscal Years Ended December 30, 2012, December 25, 2011, and December 26, 2010

Notes to Consolidated Financial Statements

(b) *Financial Statement Schedules.* The following schedule is included following the exhibits to this Form 10-K.

Schedule II – Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the SEC have been omitted as not required or not applicable, or the information required has been included elsewhere by reference in the financial statements and related notes.

(c) *Exhibits.* See "Exhibit Index" following the signature page of this Form 10-K for a description of the documents that are filed as Exhibits to this report on Form 10-K or incorporated by reference herein.

Buffalo Wild Wings, Inc.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

<u>Description</u>		<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Deductions From Reserves</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts	2012	\$ 25	—	—	25
	2011	25	98	98	25
	2010	25	—	—	25

BUFFALO WILD WINGS, INC.
EXHIBIT INDEX TO FORM 10-K

For the Fiscal Year Ended:
December 30, 2012

Commission File No.
000-24743

Exhibit Number	Description
3.1	Restated Articles of Incorporation, as Amended (incorporated by reference to Exhibit 3.1 to our Form 10-Q for the fiscal quarter ended June 29, 2008)
3.2	Amended and Restated Bylaws, as Amended (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K filed May 27, 2009)
4.1	Form of specimen certificate representing Buffalo Wild Wings, Inc.'s common stock (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to our Registration Statement on Form S-1, Reg. No. 333-108695 filed November 5, 2003)
10.1	Forms of stock option agreements under 2003 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Amendment No. 2 to our Registration Statement on Form S-1, Reg. No. 333-108695 filed November 5, 2003)(1)
10.2	Employee Stock Purchase Plan and Amendment No. 1 (incorporated by reference to Exhibit 10.19 to Amendment No. 2 to our Registration Statement on Form S-1, Reg. No. 333-108695 filed November 5, 2003) (1)
10.3	Amended and Restated Cash Incentive Plan (incorporated by reference to Appendix A to our Definitive Proxy Statement filed on March 22, 2012)(1)
10.4	Form of Notice of Performance-Based Restricted Stock Unit Award (Officer Level) as of March 1, 2009 (incorporated by reference to Exhibit 10.2 to our Form 10-Q for the fiscal quarter ended March 29, 2009) (1)
10.5	Form of Notice of Incentive Stock Option Award under the 2003 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to our Form 8-K filed on February 22, 2008) (1)
10.6	2003 Equity Incentive Plan, as Amended and Restated on May 15, 2008 (incorporated by reference to Exhibit 10.1 to our Form 8-K filed May 21, 2008)(1)
10.7	The Executive Nonqualified Excess Plan as of May 15, 2008 (incorporated by reference to Exhibit 10.2 to our Form 8-K filed May 21, 2008) (1)
10.8	The Executive Nonqualified Excess Plan Adoption Agreement as of May 15, 2008 (incorporated by reference to Exhibit 10.3 to our Form 8-K filed May 21, 2008)(1)
10.9	Employment Agreement dated September 16, 2008 with Sally J. Smith (incorporated by reference to Exhibit 10.1 to our Form 8-K filed September 22, 2008)(1)
10.10	Employment Agreement dated September 16, 2008 with Mary J. Twinem (incorporated by reference to Exhibit 10.2 to our Form 8-K filed September 22, 2008)(1)
10.11	Employment Agreement dated September 16, 2008 with James M. Schmidt (incorporated by reference to Exhibit 10.3 to our Form 8-K filed September 22, 2008)(1)
10.12	Employment Agreement dated September 16, 2008 with Judith A. Shoulak (incorporated by reference to Exhibit 10.4 to our Form 8-K filed September 22, 2008)(1)
10.13	Employment Agreement dated September 16, 2008 with Kathleen M. Benning (incorporated by reference to Exhibit 10.5 to our Form 8-K filed September 22, 2008)(1)
10.14	Employment Agreement dated September 16, 2008 with Mounir N. Sawda (incorporated by reference to Exhibit 10.8 to our Form 10-Q for the fiscal quarter ended September 28, 2008)(1)
10.15	Amendment No. 1 to 2003 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our Form 8-K filed on December 10, 2008)(1)

- 10.16 2012 Equity Incentive Plan (incorporated by reference to Appendix B to our Definitive Proxy Statement filed March 22, 2012)(1)
- 10.17* Form of Notice of Performance-Based Restricted Stock Unit Award under the 2012 Equity Incentive Plan (Officer Level) (1)
- 10.18* Form of Notice of Incentive Stock Option Award under the 2012 Equity Incentive Plan (1)
- 10.19* Employment Agreement dated May 11, 2012 with Lee R. Patterson (1)
- 10.20* Employment Agreement dated May 11, 2012 with Andrew D. Block (1)
- 21.1* List of Subsidiaries
- 23.1* Consent of KPMG LLP, Independent Registered Public Accounting Firm
- 24.1* Power of Attorney (included on the signature page)
- 31.1* Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.1* Nevada Gaming Regulation
- 101.INS** XBRL Instance Document
- 101.SCH** XBRL Taxonomy Extension Schema Document
- 101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB** XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF** XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed to be “furnished” and not “filed.”

(1) Management contract or compensatory arrangement required to be filed as an exhibit.

**NOTICE OF PERFORMANCE-BASED
RESTRICTED STOCK UNIT AWARD
Officer Level**

**BUFFALO WILD WINGS, INC.
2012 EQUITY INCENTIVE PLAN**

Name of Participant:	
Number of Units:	Grant Date:
Performance Period:	
Scheduled Vesting Date:	

This Notice (the “**Notice**”), dated and effective as of the Grant Date specified above, is between Buffalo Wild Wings, Inc., a Minnesota corporation (the “**Company**”), and the Participant identified above.

Background

- A. Participant on the date hereof is a key employee or officer of the Company or a Subsidiary of the Company.
- B. The Company wishes to grant a performance-based restricted stock unit award to Participant payable in shares of the Company’s common stock pursuant to the Company’s 2012 Equity Incentive Plan, as amended (the “**Plan**”).
- C. The Administrator of the Plan has determined that the Participant is eligible to receive such an award and hereby grants an award to the Participant on the terms and conditions that follow.

Terms and Conditions*

1. **Grant of Performance-Based Restricted Stock Units.** The Company hereby grants to Participant on the Grant Date that number of performance-based restricted stock units (“**Units**”) equal to the “Number of Units” specified in the table above on the terms and conditions set forth in this Notice and as otherwise provided in the Plan (the “**Award**”). Each Unit that vests will entitle the Participant to receive one share of the Company’s Common Stock.

* Any capitalized term used in this Notice shall have the meaning set forth in this Notice (including in the table at the beginning of this Notice) or, if not defined in this Notice, the meaning set forth in the Plan as it currently exists or as it is amended in the future.

2 . **Nature of Units.** The Units granted pursuant to this Award are bookkeeping entries only and do not provide the Participant with any dividend, voting or other rights of a stockholder of the Company. The Units shall remain forfeitable at all times unless and to the extent the vesting conditions set forth in Section 3 of this Notice are satisfied. Neither this Award nor the Units may be sold, transferred, assigned, encumbered or otherwise disposed of, except by will or the laws of descent and distribution in the event of the Participant's death. Any attempt to otherwise transfer the Units or this Award shall be void and without effect.

3 . **Vesting of Restricted Stock Units.** For purposes of this Notice, "Vesting Date" means any date, including the Scheduled Vesting Date, on which Units subject to this Award vest as provided in this Section 3.

(a) **General.** Except as otherwise provided in Paragraphs 3(b) and 3(c), the Units subject to this Award shall vest on the Scheduled Vesting Date only if and to the extent the Company satisfies the performance-based objective(s) for the Performance Period as set forth in Exhibit A to this Notice. If the Committee certifies that the Company achieved at least its threshold performance-based objective for the Performance Period, then some or all of the Units subject to this Award will vest as of the Scheduled Vesting Date. The portion of the Units subject to this Award that will vest as of the Scheduled Vesting Date will be determined according to the formula specified in Exhibit A. Any Units that have not vested on the Scheduled Vesting Date will be forfeited.

(b) **Termination of Employment.** Except as provided in the following sentences and in Paragraph 3(c), if the Participant's employment with the Company and all of its Subsidiaries ceases at any time during the Performance Period, this Award shall terminate and all Units subject to this Award shall be forfeited by Participant. If, however, the Participant's employment with the Company and all of its Subsidiaries ends due to death or Disability (as defined in Section 5), a participant's award that was schedule to vest at the end of the fiscal year in which the termination occurred would be permitted to vest at the same time and to the same degree as comparable awards to continuing employees based on Company's actual performance, with awards scheduled to vest at later dates forfeited. If the Participant's employment with the Company and all of its Subsidiaries ends due to retirement, which is defined as termination of employment of a participant who is at least 55 years old and has worked for the Company for at least 10 years, a pro rata portion (based on full fiscal months of the performance period actively employed as a percentage of fiscal months in the performance period) of each outstanding outward would be permitted to vest at the same time as comparable awards to continuing employees based on the Company's actual performance. It is understood that if the Participant's employment ends for any reason during the period between the Vesting Date and the date shares of Stock are to be issued in settlement of Units vested as of the Vesting Date, the Participant shall not forfeit any such Units.

(c) **Change in Control.** If a Change in Control (as defined in Section 5) occurs and the Participant holds Units subject to this Notice at the time, then one of the following shall occur:

(1) If, pending the Change in Control, the Committee determines that this Award will not continue after the Change in Control or that the successor entity (or its parent) will not agree to provide for the assumption or replacement of this Award with a comparable equity-based award covering shares of the successor entity (or its parent) that would equitably preserve the compensation element of the Award at the time of the Change in Control, then a portion of the Units subject to this Award shall vest and be settled within 30 days of the date of the Committee action to accelerate vesting, unless the Participant has made an election in accordance with Section 6 of this Notice. That portion shall be equal to the number of Units subject to this Award that would vest as of the Scheduled Vesting Date if the Company were to achieve the Target Goal level performance-based objective for the Performance Period, multiplied by a fraction, the numerator of which is the number of days between the Grant Date and the date of the Committee action to accelerate vesting, and the denominator of which is the number of days in the Performance Period.

(2) If, in connection with the Change in Control, subparagraph 3(c)(1) is not applicable and this Notice is continued, assumed or replaced in the manner described in subparagraph 3(c)(1), and if within one year after that Change in Control the Participant's employment with the Company and all of its Subsidiaries (or with any successor entity) is terminated by the employer for reasons other than Cause (as defined in Section 5), or is terminated by this Participant for Good Reason (as defined in Section 5), then a portion of the Units subject to this Award shall immediately vest and be settled within 30 days after the date of the Participant's termination of employment, unless the Participant has made an election in accordance with Section 6 of this Notice. That portion shall be equal to the number of Units subject to this Award that would vest as of the Scheduled Vesting Date if the Company were to achieve the Target Goal level performance-based objective for the Performance Period, multiplied by a fraction, the numerator of which is the number of days between the Grant Date and the date of the Participant's termination of employment, and the denominator of which is the number of days in the Performance Period.

4 . **Settlement of Units.** Unless the Participant has made an election in accordance with Section 6 of this Notice, and except as otherwise provided in Paragraph 3(c), as soon as practicable after the Scheduled Vesting Date, but no later than March 15 of the year following the Scheduled Vesting Date, the Company shall cause to be issued to the Participant (or his or her beneficiary or personal representative) one share of Stock in payment and settlement of each vested Unit. The Company may withhold from the number of such shares to be delivered in settlement of the Units any shares required for the payment of withholding taxes as provided in Paragraph 7(e) below.

5. **Definitions.** The following terms used in this Notice will have the meanings indicated, unless otherwise provided herein:

(a) **"Cause"** means what the term is expressly defined to mean in a then-effective employment agreement between the Participant and the Company, or, in the absence of any such then-effective agreement or definition, means:

(1) Participant's commission of any act constituting a felony or Participant's conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation or theft;

(2) gross misconduct or any act of fraud, disloyalty or dishonesty by Participant related to or connected with Participant's employment by the Company or otherwise likely to cause material harm to the Company or its reputation;

(3) a material violation by Participant of the Company's policies or codes of conduct; or

(4) the willful or material breach by Participant of any agreement between the Participant and the Company.

(b) **"Change in Control"** means what the term (or a term of like import) is expressly defined to mean in a then-effective employment agreement between the Participant and the Company, or in the absence of any such then-effective agreement or definition, means a change in the ownership or control of the Company effected through any of the following transactions:

(1) a merger, consolidation or reorganization approved by the Company's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company's outstanding voting securities immediately prior to such transaction;

(2) any stockholder-approved sale, transfer or other disposition of all or substantially all of the Company's assets;

(3) any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934, as amended (other than the Company or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing (or convertible into or exercisable for securities possessing) thirty percent (30%) or more of the total combined voting power of the Company's securities (determined by the power to vote with respect to the elections of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Company or the acquisition of outstanding securities held by one or more of the Company's stockholders; or

- (4) a change in the composition of the Board over a period of eighteen (18) consecutive months or less such that a majority of the Board members ceases to be comprised of individuals who have been Board members continuously since the beginning of such period;
- (5) approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

(c) **"Disability"** means what the term is expressly defined to mean in a then-effective employment agreement between the Participant and the Company, or, in the absence of any such then-effective agreement or definition, means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of Participant's position of employment or any substantially similar position of employment.

(d) **"Good Reason"** means what the term is expressly defined to mean in a then-effective employment agreement between the Participant and the Company, or, in the absence of any such then-effective agreement or definition, means any of the following conditions arising without the consent of Participant, provided that Participant has first given written notice to the Company of the existence of the condition within 90 days of its first occurrence, and the Company has failed to remedy the condition within 30 days thereafter:

- (1) a material diminution in the Participant's base salary;
- (2) a material diminution in the Participant's authority, duties, or responsibilities;
- (3) relocation of Participant's principal office more than 50 miles from its current location; or
- (4) any other action or inaction that constitutes a material breach by the Company of any terms or conditions of any agreement between the Company and the participant, which breach has not been caused by Participant.

(e) **"Performance Period"** means the period specified in the table at the beginning of this Notice.

6. **Deferral of Payment of Vested Units.**

(a) **Election.** The Participant may elect, on or before the date that is six months before the end of the Performance Period, to defer receipt of the payment and settlement of vested Units.

(1) **Shares Eligible for Deferral.** A Participant may elect to defer payment and settlement of 10%-100% (expressed as a whole percentage) of the vested Units.

(2) **Time of Payment.** Deferred Units shall be paid upon the earliest to occur of the following (the “Payment Date”):

(A) the Participant’s Separation from Service (as defined in the Buffalo Wild Wings, Inc. Management Deferred Compensation Plan (the “Deferred Compensation Plan”)),

(B) the Participant’s death,

(C) the Participant’s Disability (as defined in the Deferred Compensation Plan), or

(D) an in-service distribution date elected by the Participant, if any.

(3) **Form of Payment.** Deferred Units, when paid, shall be distributed in shares of Stock either (A) as a lump sum or (B) in equal annual installments over a specified period of no more than five years; provided however, that if a Participant elects installments, the Administrator may, in its discretion, determine to settle the Participant’s deferred Units in cash instead of in shares of Stock. Payment shall be treated as made upon the Participant’s Separation from Service if it is made on such date or a later date within the same calendar year or, if later, by the 15th day of the third calendar month following the Separation from Service, subject to Paragraph 6(b). If the Participant elects to receive installments, the issuance of each annual installment shall be made on the anniversary of the date of the first issuance.

(4) **Election Forms.** Such election shall be made on such form(s) prescribed by the Administrator and shall otherwise comply with any rules or procedures specified by the Administrator for making elections.

(b) **Specified Employee.** If the Participant makes a deferral election pursuant to Paragraph 6(a) and is a “Specified Employee” (as defined under the Deferred Compensation Plan) as of the date of the Participant’s Separation from Service (and has not elected an earlier in-service distribution of deferred Units), no payment shall be made to the Participant until the first day of the seventh month after the Participant’s Separation from Service (or, if earlier, the date of the Participant’s death). If the Participant has elected under Paragraph 6(a) to receive payment in equal annual installments, the first such installment shall be issued on the first day of the seventh month after the Participant’s Separation from Service, and subsequent installments shall be paid on the anniversary of the first installment.

(c) **Dividend Equivalents.** A Participant who has deferred vested Units hereunder shall be entitled to receive additional Units with respect to such deferred vested Units as “dividend equivalents” at such time(s), if any, that cash dividends are declared by the Company on shares of Stock. The number of additional Units shall be determined by multiplying the number of vested Units deferred by the Participant (which shall include any Units credited to the Participant in connection with cash dividends under this Paragraph 6(c)), times the dollar amount of the cash dividend per share of Stock, and then dividing by the Fair Market Value of a share of Stock as of the dividend payment date. Any Units credited to a Participant with respect to cash dividends under this Paragraph 6(c) shall be vested at all times, and paid at the same time and in the same form as the Participant’s deferred vested Units.

(d) **Administration.** The Administrator shall have the authority to establish a bookkeeping account or accounts in the name of the Participant, and such rules, regulations and procedures as it shall deem necessary or desirable for the orderly administration of deferrals of Units hereunder or compliance with applicable law. The Administrator may, in its discretion, delegate its administrative duties with respect to deferred Units to such officer or officers of the Company, or third party or parties, as it shall approve.

(e) **Small Balances.** Notwithstanding any payment election made pursuant to Paragraph 6(a)(iii), if the Fair Market Value of the shares of Stock underlying a Participant's deferred Units, is, in the aggregate, less than [\$20,000] on the Payment Date, such shares will be distributed in a lump sum. In addition, the Company may distribute all of a Participant's unpaid deferred shares of Stock in a lump sum if the Fair Market Value of such shares does not exceed the limit in Section 402(g)(1)(B) of the Code and results in the termination of the Participant's entire deferred interest under this Notice.

(f) **Beneficiary.** The Administrator may permit the Participant to designate one or more beneficiaries to receive payment of any benefits to which the Participant is entitled under this Section 6. In the absence of a valid beneficiary designation, a Participant's beneficiary shall be his Surviving Spouse (as defined in the Deferred Compensation Plan), or if the Participant has no Surviving Spouse, the beneficiary shall be the Participant's estate. Payment of a Participant's entire interest in deferred Units shall be paid to his beneficiary(ies) in a lump sum.

(g) **Unfunded Right.** The Company's obligations under this Section 6 are merely an unfunded, unsecured obligation to pay and settle deferred Units hereunder in accordance with the provisions of this Section 6. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of benefits under the Plan, and to the extent it does so, such assets shall remain subject to the claims of the Company's general creditors.

(h) **Amendment and Termination.** The Committee may amend the provisions of this Section 6 or terminate the deferral of Units under this Section 6 at any time, provided that any such amendment or termination complies with the requirements of Code Section 409A and the regulations and guidance thereunder.

7. **General Provisions.**

(a) **Employment.** This Notice shall not confer on Participant any right with respect to continuance of employment by the Company or any of its Affiliates, nor will it interfere in any way with the right of the Company to terminate such employment. Nothing in this Notice shall be construed as creating an employment contract for any specified term between Participant and the Company or any Affiliate.

(b) **Securities Law Compliance.** No shares of Stock issuable pursuant to this Notice shall be issued and delivered unless the issuance of the shares complies with all applicable legal requirements, including compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the requirements of the exchanges on which the Company's Stock may, at the time, be listed.

(c) **Mergers, Recapitalizations, Stock Splits, Etc.** Pursuant and subject to Section 12 of the Plan, certain changes in the number of shares or character of the Stock of the Company (through merger, consolidation, exchange, reorganization, divestiture (including a spin-off), liquidation, recapitalization, stock split, stock dividend or otherwise) shall result in an equitable adjustment to avoid dilution or enlargement of Participant's rights with respect to any Units subject to this Award which have not yet been settled.

(d) **Shares Reserved.** The Company shall at all times during the term of this Award reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Award.

(e) **Withholding Taxes.** The Company shall have the right to (i) withhold from any cash payment under the Plan or any other compensation owed to the Participant an amount sufficient to cover any required withholding taxes in connection with the settlement of Units subject to this Award, and (ii) require a Participant or other person receiving shares of Stock under this Award to pay a cash amount sufficient to cover any required withholding taxes before actual receipt of those shares. In lieu of all or any part of a cash payment from the Participant as provided above, the Committee may elect to cover all or any part of the required withholdings (up to the Participant's minimum required tax withholding rate or such other rate that will not trigger a negative accounting impact) through a reduction in the number of shares delivered to Participant, valued in the same manner as used in computing the withholding taxes under applicable laws.

(f) **2012 Equity Incentive Plan.** The Award evidenced by this Notice is granted pursuant to the Plan, a copy of which Plan has been made available to Participant and is hereby incorporated into this Notice. This Notice is subject to and in all respects limited and conditioned as provided in the Plan. The Plan governs this Notice and, in the event of any questions as to the construction of this Notice or in the event of a conflict between the Plan and this Notice, the Plan shall govern, except as the Plan otherwise provides.

(g) **Scope of Notice.** This Notice shall bind and inure to the benefit of the Company, its Affiliates and their successors and assigns, and shall bind and inure to the benefit of Participant and any successor or successors of Participant permitted herein. This Award is expressly subject to all terms and conditions contained in the Plan and in this Notice, and Participant shall comply with all such terms and conditions.

(h) **Arbitration.** Any dispute arising out of or relating to this Notice or the alleged breach of it, or the making of this Notice, including claims of fraud in the inducement, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced securities or business litigation for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court of Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Notice, and the commercial arbitration rules of the American Arbitration Association, unless such rules are inconsistent with the provisions of this Notice. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive or exemplary damages shall not be awarded. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including the arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses and reasonable attorneys' fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

(i) **Choice of Law.** This Notice is subject to the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflicts of laws principles).

(j) **Code Section 409A.** To the extent any provision of this Notice does not satisfy the requirements of Code Section 409A or any regulations or other guidance issued by the Treasury Department or the Internal Revenue Service under Code Section 409A, such provision will be applied in a manner consistent with such requirements, regulations or guidance, notwithstanding any provision of the Notice to the contrary, and to the extent not prohibited by Code Section 409A, the provisions of the Notice and the rights of Participants and their beneficiaries hereunder shall be deemed to have been modified accordingly.

BUFFALO WILD WINGS, INC.

By: _____
Chief Operating Officer

**Exhibit A to
Notice of Performance-Based Restricted Unit Award**

Performance-Based Objectives

Performance Period: _____ through _____

The determination of the number of Units that will vest on the Scheduled Vesting Date at the end of the Performance Period specified above as provided in Paragraph 3(a) of the Notice will be determined as follows:

1. The Company's Cumulative Net Income for the Performance Period will be determined.
2. Based on that Cumulative Net Income, the Performance Factor for the Performance Period will be determined from the following table by determining where the Company's actual Cumulative Net Income falls relative to the goals specified in the applicable column of the table, and then selecting the corresponding Performance Factor. If the Company's actual Cumulative Net Income for the Performance Period is between two amounts shown in the applicable column of the table, the corresponding Performance Factor will be determined by linear interpolation between the two relevant Performance Factors shown in the table. If actual Cumulative Net Income for the Performance Period is less than the Minimum Goal specified, the Performance Factor is zero, and if it greater than the Target Goal, the Performance Factor is 100%.

Performance Factor	Company's Cumulative Net Income Goals for the Performance Period Ending ____:
	3-Year Cumulative Net Income
100% (Maximum Goal)	\$tbd
50% (Target Goal)	\$tbd
37.5% (Threshold Goal)	\$tbd

3. The number of Units that will vest as of the Scheduled Vesting Date will be the Number of Units Awarded multiplied by the Performance Factor.
4. For purposes of this Exhibit A, the Company's "Cumulative Net Income" for any period shall mean the Company's net income for that period as calculated under U.S. generally accepted accounting principles, subject to adjustment as set forth in the "Exception Guidelines," adopted as part of the applicable Long-Term Incentive Program.
5. As an example, to compute the number of Units that will vest on the Scheduled Vesting Date, assume the following facts: (i) the Number of Units Awarded was 10,000; and (ii) the Company's actual Cumulative Net Income for the relevant period ending on the Scheduled Vesting Date was half-way between the Target Goal and the Maximum Goal. Under these facts, the Performance Factor would be 75% (half-way between 50% and 100%), and the number of Units vesting on the Scheduled Vesting Date would be 7,500.

Buffalo Wild Wings, Inc.
NOTICE OF INCENTIVE STOCK OPTION AWARD

Name of Optionee:	
No. of Shares Covered:	Grant Date:
Exercise Price Per Share: (Grant Date Price)	Expiration Date:
Exercise Schedule (Cumulative):	
Date(s) of <u>Exercisability</u>	No. of Shares as to Which <u>Option Becomes Exercisable</u>
	(25% of Grant)

This is a Notice of Incentive Stock Option Award (the “**Notice**”) from Buffalo Wild Wings, Inc., a Minnesota corporation (the “**Company**”), to the optionee identified above (the “**Optionee**”) effective as of the Grant Date specified above.

Background

- A. The Company maintains the Buffalo Wild Wings, Inc. 2012 Equity Incentive Plan, as amended (the “**Plan**”).
- B. Under the Plan, the Plan Administrator administers the Plan and has the authority to determine the awards to be granted under the Plan.
- C. The Plan Administrator has determined that the Optionee is eligible to receive an award under the Plan in the form of an incentive stock option.
- D. The Company hereby grants such an option to the Optionee under the terms and conditions that follow.

* Any capitalized term used in this Notice shall have the meaning set forth in this Notice (including in the table at the beginning of this Notice) or, if not defined in this Notice, the meaning set forth in the Plan as it currently exists or as it is amended in the future.

Terms and Conditions*

1. **Grant of Option.** The Company hereby grants to the Optionee the option to purchase the number of shares of Stock of the Company specified in the table at the beginning of this Notice on the terms and conditions set forth in this Notice and as otherwise provided in the Plan (the “**Option**”). The shares of Stock purchasable upon exercise of the Option are hereinafter sometimes referred to as the “Option Stock.” The parties intend that the Option shall be an “incentive stock option” as such term is defined under Section 422 of the Internal Revenue Code, but to the extent the Option fails to qualify as an incentive stock option, it will be treated as a non-statutory stock option.

2. **Exercise Price.** During the term of this Option, the purchase price for each share of Option Stock granted herein will be the Exercise Price specified in the table at the beginning of this Notice.

3. **Exercise Schedule.** The Option will vest and become exercisable as to the number of shares of Option Stock on the dates specified in the Exercise Schedule specified in the table at the beginning of this Notice. The Exercise Schedule is cumulative, meaning that to the extent the Option has not already been exercised and has not expired, terminated or been cancelled, the Optionee (or the person entitled to exercise the Option as provided herein) may at any time, and from time to time, purchase all or any portion of the shares of Option Stock then purchasable under the Exercise Schedule. The Option may also be exercised in full (notwithstanding the Exercise Schedule) under the circumstances described in Section 8 of this Notice if the Option has not expired prior thereto.

4. **Expiration.** The Option will expire at 5:00 p.m. Central Time on the earliest of:

- (a) The Expiration Date specified in the table at the beginning of this Notice;
- (b) The expiration of the period after the termination of employment of the Optionee within which the Option can be exercised (as specified in Section 7 of this Notice);
- (c) Upon termination of the Optionee’s employment for Cause (as defined in Paragraph 9(a) of this Notice); or
- (d) The date (if any) the Option is cancelled pursuant to Paragraph 8(a) of this Notice.

No one may exercise the Option, in whole or in part, after it has expired, notwithstanding any other provision of this Notice.

5. **Personal Exercise by Optionee.** This Option shall, during the lifetime of the Optionee, be exercisable only by said Optionee (or his or her personal representative), and shall not be transferable by the Optionee, in whole or in part, other than by will or by the laws of descent and distribution.

6. **Manner of Exercise of Option**

(a) *Notice of Exercise.* The Option may be exercised by delivering written or electronic notice of exercise, in a form prescribed by the Plan Administrator, to the Company's Secretary at the principal executive office of the Company, or to the Company's designated agent for receipt of such notice. The notice shall state the number of shares of Option Stock to be purchased, and shall be signed (or authenticated if in electronic form) by the person exercising the Option. If the person exercising the Option is not the Optionee, he/she also must submit appropriate proof of his/her right to exercise the Option.

(b) *Tender of Payment.* Upon giving notice of any exercise hereunder, the Optionee shall provide for payment of the purchase price of the shares of Option Stock being purchased through one or a combination of the following methods:

(1) Cash (including check, bank draft or money order);

(2) To the extent permitted by law, through a broker-assisted cashless exercise in which the Optionee simultaneously exercises the Option and sells all or a portion of the shares thereby acquired pursuant to a brokerage or similar relationship and uses the proceeds from such sale to pay the purchase price of such shares;

(3) By delivery to the Company of unencumbered shares of Stock having an aggregate Fair Market Value on the date of exercise equal to the purchase price of the shares of Option Stock; or

(4) By authorizing the Company to retain, from the total number of shares of Option Stock as to which the Option is exercised, that number of shares having a Fair Market Value on the date of exercise equal to the purchase price for the total number of shares of Option Stock as to which the Option is exercised.

Notwithstanding the foregoing, the Optionee shall not be permitted to pay any portion of the purchase price with shares of Stock, or by authorizing the Company to retain shares of Option Stock upon exercise of the Option, if the Committee, in its sole discretion, determines that payment in such manner is undesirable.

(c) *Delivery of Certificates.* As soon as practicable after the Company receives the notice of exercise and purchase price provided for above, it shall deliver to the person exercising the Option, in the name of such person, a certificate or certificates representing the shares of Option Stock being purchased. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the shares and all fees and expenses incurred by it in connection therewith. All shares of Stock so issued shall be fully paid and non-assessable.

7. **Continuous Employment Requirement.** Except as otherwise provided in this Section 7, the Option may be exercised only if the Optionee has been continuously employed by the Company or a Parent or Subsidiary since the Grant Date and remains so employed on the exercise date. However, the Option may be exercised after termination of employment (but in no event after expiration of the Option) in the following situations:

(a) The Option may be exercised for one year after termination of the Optionee's employment because of death or Disability (as defined in Section 22(e)(3) of the Internal Revenue Code), but only to the extent that it was exercisable immediately prior to the termination of employment.

(b) The Option may be exercised for three months after termination of the Optionee's employment for any reason other than death, Disability or Cause, but only to the extent that it was exercisable immediately prior to the termination of employment. (For example, if an employee terminates on March 10th, then the last day to exercise would be June 10th. If June 10th is on a weekend, then the last day to exercise would be the previous last business day.)

8. **Change in Control.** If a Change in Control (as defined in Paragraph 9(b)) occurs while this Option remains outstanding, then one of the following shall occur:

(a) If, pending the Change in Control, the Plan Administrator determines that this Option will not continue following the Change in Control or that the successor entity (or its parent) will not assume or replace this Option with a comparable equity-based award covering shares of the successor entity (or its parent) that would equitably preserve the compensation element of the Award at the time of the Change in Control, then one of the following shall occur:

(1) The Plan Administrator may elect, in its sole discretion, to cancel this Option and to pay to the Optionee an amount in cash equal to the difference between the Fair Market Value immediately prior to the Change in Control of the shares of Option Stock still subject to the Option, and the aggregate exercise price of those shares; or

(2) If the Plan Administrator does not make the election described above, the Option shall become fully exercisable ten days prior to the scheduled occurrence of the Change in Control and shall remain exercisable for a period of ten days. Any exercise of this Option during such ten-day period shall be conditioned upon the occurrence of the Change in Control and shall be effective immediately prior to the Change in Control. Upon the occurrence of the Change in Control, this Option shall expire. The Plan Administrator shall provide advance notice of this temporary period of exercisability to the Optionee. If the Change in Control does not occur, the Option shall continue according to its original terms.

(b) If, in connection with the Change in Control, Paragraph 8(a) is not applicable and this Option is continued, assumed or replaced in the manner described in Paragraph 8(a), and if within one year after that Change in Control the Optionee's employment with the Company and all of its Subsidiaries (or with any successor entity) is terminated by the employer for reasons other than Cause, [or is terminated by the Optionee for Good Reason (as defined in Paragraph 9(c)),] then this Option will immediately vest and become exercisable in full and remain exercisable for one year after such termination of employment.

9. **Definitions.** The following terms used in this Notice will have the meanings indicated:

(a) **“Cause”** means what the term is expressly defined to mean in a then-effective employment agreement between the Optionee and the Company, or in the absence of any such then-effective agreement or definition, means:

- (1) Optionee’s commission of any act constituting a felony or Optionee’s conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation or theft;
- (2) gross misconduct or any act of fraud, disloyalty or dishonesty by Optionee related to or connected with Optionee’s employment by the Company or otherwise likely to cause material harm to the Company or its reputation;
- (3) a material violation by Optionee of the Company’s policies or codes of conduct; or
- (4) the willful or material breach by Optionee of any agreement between the Optionee and the Company.

(b) **“Change in Control”** means what the term (or a word of like import) is expressly defined to mean in a then-effective employment agreement between the Optionee and the Company, or in the absence of any such then-effective agreement or definition, means a change in the ownership or control of the Company effected through any of the following transactions:

- (1) a merger, consolidation or reorganization approved by the Company’s stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Company’s outstanding voting securities immediately prior to such transaction;
- (2) any stockholder-approved sale, transfer or other disposition of all or substantially all of the Company’s assets in complete liquidation or dissolution of the Company;
- (3) any transaction or series of related transactions pursuant to which any person or any group of persons comprising a “group” within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934, as amended (other than the Company or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Company) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing (or convertible into or exercisable for securities possessing) thirty percent (30%) or more of the total combined voting power of the Company’s securities (determined by the power to vote with respect to the elections of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Company or the acquisition of outstanding securities held by one or more of the Company’s stockholders; or
- (4) a change in the composition of the Board over a period of eighteen (18) consecutive months or less such that a majority of the Board members ceases to be comprised of individuals who have been Board members continuously since the beginning of such period.

(c) **“Good Reason”** means what the term is expressly defined to mean in a then-effective employment agreement between the Optionee and the Company, or in the absence of any such then-effective agreement or definition, means any of the following conditions arising without the consent of Optionee, provided that Optionee has first given written notice to the Company of the existence of the condition within 90 days of its first occurrence, and the Company has failed to remedy the condition within 30 days thereafter:

- (1) a material diminution in the Optionee’s base salary;
 - (2) a material diminution in the Optionee’s authority, duties, or responsibilities;
 - (3) relocation of Optionee’s principal office more than 50 miles from its current location; or
-

(4) any other action or inaction that constitutes a material breach by the Company of any terms or conditions of any agreement between the Company and the Optionee, which breach has not been caused by Optionee.

10. **General Provisions.**

(a) *Employment.* Neither this Notice nor the Option shall confer on Optionee any right with respect to continuance of employment by the Company or any of its Affiliates, nor interfere in any way with the right of the Company to terminate such employment. Nothing in this Notice shall be construed as creating an employment contract for any specified term between Optionee and the Company or any Affiliate.

(b) *Securities Law Compliance.* No shares of Stock issuable pursuant to this Option shall be issued and delivered unless the issuance of the shares complies with all applicable legal requirements, including compliance with the provisions of applicable state securities laws, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the requirements of the exchanges on which the Company's Stock may, at the time, be listed.

(c) *Rights as a Shareholder.* No person shall have any rights as a shareholder with respect to any shares of Option Stock until the shares are actually issued to the person exercising the Option upon its exercise.

(d) *Changes in Capitalization.* Pursuant and subject to Section 12 of the Plan, certain changes in the number of shares or character of the Stock of the Company (through merger, consolidation, exchange, reorganization, divestiture (including a spin-off), liquidation, recapitalization, stock split, stock dividend or otherwise) shall result in equitable adjustments by the Plan Administrator to the number of shares subject to this Option and/or the exercise price of this Option to avoid dilution or enlargement of Optionee's rights hereunder.

(e) *Shares Reserved.* The Company shall at all times during the term of this Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Option.

(f) *2012 Equity Incentive Plan.* The Option evidenced by this Notice is granted pursuant to the Plan, a copy of which is attached hereto or has been made available to the Optionee and is hereby made a part of this Notice. This Notice is subject to and in all respects limited and conditioned as provided in the Plan. The Plan governs this Option and the Optionee, and in the event of any question as to the construction of this Notice or of a conflict between the Plan and this Notice, the Plan shall govern, except as the Plan otherwise provides.

(g) *Transfer of Shares – Tax Effect.* If any shares of Stock received pursuant to the exercise of this Option are sold within two years from the Grant Date or within one year from the effective date of exercise of the Option (a "disqualifying disposition"), or if certain other requirements of the Internal Revenue Code are not satisfied, such shares will not be deemed to have been acquired by the Optionee pursuant to an incentive stock option for purposes of the Internal Revenue Code. If a disqualifying disposition occurs, the Optionee agrees to promptly inform the Company of such disposition. The Company will not be liable to the optionee if the Option, or any part of it, is deemed for any reason not to be an "incentive stock option" within the meaning of the Internal Revenue Code.

(h) *Scope of Notice.* This Notice and Option shall bind and inure to the benefit of the Company, its Affiliates and their successors and assigns, and shall bind and inure to the benefit of Optionee and any successor or successors of Optionee permitted herein. This Option is expressly subject to all terms and conditions contained in the Plan and in this Notice, and Optionee shall comply with all such terms and conditions.

(i) *Arbitration.* Any dispute arising out of or relating to this Notice or the alleged breach of it, or the making of this Notice, including claims of fraud in the inducement, shall be discussed between the disputing parties in a good faith effort to arrive at a mutual settlement of any such controversy. If, notwithstanding, such dispute cannot be resolved, such dispute shall be settled by binding arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator shall be a retired state or federal judge or an attorney who has practiced securities or business litigation for at least 10 years. If the parties cannot agree on an arbitrator within 20 days, any party may request that the chief judge of the District Court of Hennepin County, Minnesota, select an arbitrator. Arbitration will be conducted pursuant to the provisions of this Notice, and the commercial arbitration rules of the American Arbitration Association, unless such rules are inconsistent with the provisions of this Notice. Limited civil discovery shall be permitted for the production of documents and taking of depositions. Unresolved discovery disputes may be brought to the attention of the arbitrator who may dispose of such dispute. The arbitrator shall have the authority to award any remedy or relief that a court of this state could order or grant; provided, however, that punitive or exemplary damages shall not be awarded. The arbitrator may award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including the arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses and reasonable attorneys' fees. Unless otherwise agreed by the parties, the place of any arbitration proceedings shall be Hennepin County, Minnesota.

(j) *Choice of Law.* This Notice is subject to the laws of the State of Minnesota and shall be construed and interpreted thereunder (without regard to its conflicts of laws principles).

Buffalo Wild Wings, Inc.

By: _____
Chief Operating Officer

**Amended and Restated
Employment Agreement**

This Amended and Restated Employment Agreement (“Agreement”) is entered into effective May 11, 2012 (the “Effective Date”) by and between Buffalo Wild Wings, Inc., a Minnesota corporation (the “Company”), and Lee R. Patterson, a resident of Minnesota (“Executive”).

Background

A. Executive is currently employed by the Company as its Senior Vice President, Guest Experience & Innovation. The Company desires to continue to employ Executive under the terms and conditions set forth in this Agreement.

B. The Company and Executive are parties to an Employment Agreement dated January 31, 2011 (the “Prior Agreement”), which the parties desire to amend and restate in its entirety as set forth in this Agreement. The Company and Executive are also parties to the 2003 Equity Incentive Plan and the 2012 Equity Incentive Plan.

C. In October 2004, the American Jobs Creation Act of 2004 (the “Act”) was enacted, Section 885 of which Act added new provisions to the Internal Revenue Code pertaining to deferred compensation. The Treasury Department has issued final regulations and guidances regarding the deferred compensation provisions of the Act, which permit service providers and service recipients a transition period to modify existing deferred compensation arrangements to bring them into compliance with the Act.

D. The parties agree that it is in their mutual best interests to modify, amend and clarify the terms and conditions of the Prior Agreement, as set forth in this Agreement, with the full intention of complying with the Act so as to avoid the additional taxes and penalties imposed under the Act.

E. Executive is a key member of the management of the Company and is expected to devote substantial skill and effort to the affairs of the Company, and the Company desires to recognize the significant personal contribution that Executive makes and is expected to continue to make to further the best interests of the Company and its shareholders.

F. It is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive’s services and attention to the affairs of the Company. It is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (1) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (2) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company.

G. It is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company without regard to the possibility that Executive's employment may be terminated without compensation in the event of certain changes in control of the Company.

H. In Executive's position, Executive will have access to confidential, proprietary and trade secret information of the Company. It is desirable and in the best interests of the Company and its shareholders to protect confidential, proprietary and trade secret information of the Company, to prevent unfair competition by former executives of the Company following separation of their employment with the Company and to secure cooperation from former executives with respect to matters related to their employment with the Company.

Agreement

In consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall continue in effect until the last day of the Company's fiscal year 2012, unless earlier terminated in accordance with Section 8 of this Agreement. Thereafter, unless earlier terminated in accordance with Section 8 hereof, the term of Executive's employment with the Company shall be automatically extended for successive one-year periods, each ending on the last day of the Company's fiscal year, unless either party gives written notice to the other party at least four (4) months prior to the expiration of such term that such party elects not to extend the term of this Agreement. The term of Executive's employment, beginning on the Effective Date of this Agreement, together with any automatic extensions thereof, shall collectively be the "Term."

2. Position and Duties. During Executive's employment under this Agreement, Executive will have the following position, duties and responsibilities:

(a) Position with the Company. Executive will serve as Senior Vice President, Guest Experience & Innovation of the Company, or in such other executive position of a similar nature, and will perform such duties and responsibilities as the Chief Operating Officer (the "COO") and/or the Chief Executive Officer or President of the Company (the "CEO") may assign Executive from time to time.

(b) Performance of Duties and Responsibilities. Executive will serve the Company faithfully and to the best of Executive's ability and will devote Executive's full working time, attention, and efforts to the business of the Company. Executive will report to the COO or to his designee. Executive will follow and comply with applicable policies and procedures adopted by the Company from time to time, including without limitation policies relating to business ethics, conflict of interest, non-discrimination, confidentiality and protection of trade secrets, and insider trading. Executive will not engage in other employment or other material business activity, except as approved in writing by the General Counsel or the Chief Executive Officer and President. Executive hereby represents and confirms that Executive is under no contractual or legal commitments that would prevent Executive from fulfilling Executive's duties and responsibilities as set forth in this Agreement.

3 . Compensation. During Executive's employment under this Agreement, Executive will be provided with the following compensation and benefits:

(a) Base Salary. The Company will pay to Executive for services provided hereunder a base salary paid in accordance with the Company's normal payroll policies and procedures. The Board of Directors of the Company (or any authorized committees of the Board, together hereafter the "Board") will review Executive's performance on an annual basis and determine any adjustments to Executive's base salary in its sole discretion; provided, however, that any reduction shall be permitted only if the Company then reduces the base compensation of all its executive officers generally and shall not exceed the average percentage reduction for all such executive officers.

(b) Incentive Compensation. Executive will be eligible to participate in the Buffalo Wild Wings, Inc. Cash Incentive Plan in accordance with its terms, as may be amended and in effect from time to time (the "CIP").

(c) Equity. Executive will be eligible to participate in such programs under the Buffalo Wild Wings, Inc. 2003 Equity Incentive Plan and the 2012 Equity Incentive Plan as determined by the Board and in accordance with the terms of such plans as may be in effect from time to time.

(d) Employee Benefits. Executive will be entitled to participate in all employee benefit plans and programs generally available to executive employees of the Company, to the extent that Executive meets the eligibility requirements for each individual plan or program. Executive's participation in any plan or program will be subject to the provisions, rules, and regulations of, or applicable to, the plan or program. The Company provides no assurance as to the adoption or continuation of any particular employee benefit plan or program.

(e) Expenses. The Company will reimburse Executive for all reasonable and necessary out-of-pocket business, travel, and entertainment expenses incurred by Executive in the performance of Executive's duties and responsibilities to the Company during the Term. Such reimbursement shall be subject to the Company's normal policies and procedures for expense verification, documentation, and reimbursement; provided, however, that Executive shall submit verification of expenses within 30 days after the date the expense was incurred, and the Company shall reimburse Executive for such expenses eligible for reimbursement within 30 days thereafter.

4. Confidential Information. Except as authorized in writing by the Board or as necessary in carrying out Executive's responsibilities for the Company, Executive will not at any time divulge, furnish, or make accessible to anyone or use in any way, any confidential, proprietary, or secret knowledge or information of the Company that Executive has acquired or will acquire about the Company, whether developed by himself or by others, concerning (i) any trade secrets, (ii) any confidential, proprietary, or secret recipes, designs, inventions, discoveries, programs, processes, formulae, plans, devices, or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company, (iii) any customer or supplier lists, (iv) any confidential, proprietary, or secret development or research work, (v) any strategic or other business, marketing, or sales plans, systems or techniques, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of the Company. Executive acknowledges that the above-described knowledge and information constitute a unique and valuable asset of the Company and represent a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. Executive will refrain from intentionally committing any acts that would materially reduce, and shall take reasonable steps to protect, the value of such knowledge and information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) at the time of Executive's use or disclosure is generally publicly known, other than as a direct or indirect result of the breach by Executive of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with the Company, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that Executive's obligations under this Agreement to maintain the confidentiality of the Company's confidential information are in addition to any obligations of Executive under applicable statutory or common law.

5. Ventures. If, during Executive's employment with the Company, Executive participates in the planning or implementing of any project, program, or venture involving the Company, all rights in such project, program, or venture belong to the Company. Except as approved in writing by the Board, Executive will not be entitled to any interest in any such project, program, or venture or to any commission, finder's fee, or other compensation in connection therewith. Executive will have no interest, direct or indirect, in any customer or supplier that conducts business with the Company. Ownership by Executive, as a passive investment, of less than one percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 5.

6. Intellectual Property.

(a) Disclosure and Assignment. As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while Executive is employed by the Company, and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others while Executive is employed by the Company, in each case, that relates to the Company's business (collectively, "Creations"). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Creation. Every copyrightable Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a "work made for hire" as defined in 17 U.S.C. § 101, and the Company shall own all rights in and to such matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

(b) Trademarks. All right, title, and interest in and to any and all trademarks, trade names, service marks, and logos adopted, used, or considered for use by the Company during Executive's employment (whether or not developed by Executive) to identify the Company's business or other goods or services (collectively, the "Marks"), together with the goodwill appurtenant thereto, and all other materials, ideas, or other property conceived, created, developed, adopted, or improved by Executive solely or jointly during Executive's employment by the Company and relating to its business shall be owned exclusively by the Company. Executive shall not have, and will not claim to have, any right, title, or interest of any kind in or to the Marks or such other property.

(c) Documentation. Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any patentable invention relating to the Company's business and disclosed by Executive prior to the first anniversary of the effective date of Executive's termination of employment shall be deemed to be governed by the terms of this Section 6 unless proven by Executive to have been first conceived and made after such termination date.

(d) Non-Applicability. Executive is hereby notified that this Section 6 does not apply to any invention for which no equipment, supplies, facility, confidential information, or other trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (1) the invention relates (a) directly to the business of the Company or (b) to the Company's actual or demonstrably anticipated research or development, or (2) the invention results from any work performed by Executive for the Company.

7. Noncompetition and Nonsolicitation Covenants.

(a) Agreement Not to Compete. During Executive's employment with the Company and for a period of twelve (12) consecutive months from and after the termination of Executive's employment, whether such termination is with or without Cause, is at the instance of Executive or the Company or occurs before or after expiration of the Term, Executive will not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, investor, stockholder, employee, member of any association, consultant, or otherwise, engage or participate in any Competitive Business. "Competitive Business" means any person, entity or business operation (other than the Company) that operates, manages or franchises, in the United States (i) a sports-themed restaurant that operates, manages or franchises two or more restaurants, markets the public viewing of sports and has alcohol sales of 20% or more, (ii) a restaurant that operates, manages or franchises two or more restaurants and features chicken wings that account for 10% or more of food sales, or (iii) any other business concept being operated by or under consideration by the Company as of the date of the Executive's employment termination. Ownership by Executive, as a passive investment, of less than one percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7(a).

(b) Agreement Not to Hire. During Executive's employment with the Company and for a period of twelve (12) consecutive months from and after the termination of Executive's employment, whether such termination is with or without Cause, is at the instance of Executive or the Company or occurs before or after expiration of the Term, Executive will not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, investor, stockholder, employee, member of any association, consultant, or otherwise, hire, engage, or solicit any person who is then an employee of the Company at a director level or above, or who was such an employee of the Company at any time during the six-month period immediately preceding Executive's termination of employment.

(c) Agreement Not to Solicit. During Executive's employment with the Company and for a period of twelve (12) consecutive months from and after the termination of Executive's employment, whether such termination is with or without Cause, is at the instance of Executive or the Company or occurs before or after expiration of the Term, Executive will not, directly or indirectly, in any manner or capacity including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant, or otherwise, solicit, request, advise, or induce any current or potential customer, supplier, vendor or other business contact of the Company to cancel, curtail, or otherwise change its relationship adversely to the Company, or interfere in any manner with the relationship between the Company and any of its customers, suppliers, vendors or other business contacts.

(d) Modification. If the duration of, the scope of, or any business activity covered by, any provision of this Section 7 exceeds that which is valid and enforceable under applicable law, such provision will be construed to cover only that duration, scope, or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 will be construed so that its provisions are valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(e) No Adequate Remedy at Law. Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive will cause substantial and irreparable harm to the Company to such an extent that monetary damage alone would be an inadequate remedy therefor. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company will, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

8. Termination of Employment.

(a) The Executive's employment with the Company under this Agreement will terminate upon:

(i) Expiration of the Term following notice of non-renewal pursuant to Section 1 of this Agreement;

(ii) The Company providing written notice to Executive of the termination of Executive's employment, effective as of the date stated in such notice;

(iii) The Company's receipt of Executive's written resignation from the Company, effective not earlier than 30 days after delivery of such written notice of resignation, provided that the Board may waive such notice or relieve Executive of Executive's duties during such notice period;

(iv) Executive's Disability; or

(v) Executive's death.

(b) The date upon which Executive's termination of employment with the Company is effective is the "Termination Date." For purposes of Section 9 of this Agreement only, the Termination Date shall mean the date on which a "separation from service" has occurred for purposes of Section 409A of the Internal Revenue Code and the regulations and guidance thereunder (the "Code").

9 . Payments Upon Involuntary Termination Without Cause or Resignation for Good Reason. If Executive's employment with the Company is terminated (i) involuntarily at the initiative of the Company without Cause (including termination upon expiration of the Term following notice of non-renewal by the Company pursuant to Section 1) or (ii) on the initiative of Executive for Good Reason such that Executive's Termination Date occurs within six months after the first occurrence of a condition giving rise to Good Reason (as described in Section 13(d)(i) – (iv) below), then, unless such Termination Date occurs upon or within one year following a Change in Control, in addition to such base salary and any incentive compensation for the last completed fiscal year that has been earned but not paid to Executive as of the Termination Date, the Company shall provide to Executive the severance payments and benefits set forth in Sections 9(a), (b), (c) and (d) below, subject to the conditions in Section 11:

(a) Base Salary Continuation. The Company shall pay to Executive an amount equal to six months of Executive's base salary in effect as of the Termination Date, but not to exceed a maximum amount under this Section 9(a) of two times the lesser of:

(i) The Code § 401(a)(17) compensation limit for the year in which the Termination Date occurs; or

(ii) Executive's annualized compensation based upon the annual rate of pay for services to the Company for the calendar year prior to the calendar year in which the Termination Date occurs (adjusted for any increase during that year that was expected to continue indefinitely if Executive had not separated from service).

Subject to Section 11, such salary continuation shall be paid to Executive in accordance with the Company's regular payroll schedule, at the regular base salary payroll rate in effect as of the Termination Date, commencing on the first regular payroll date of the Company that occurs following the Termination Date and continuing for six months. The Company and Executive intend the payments under this Section 9(a) to be a "separation pay plan due to involuntary separation from service" under Treas. Reg. § 1.409A-1(b)(9)(iii).

(b) Supplemental Salary Continuation. The Company shall pay to Executive an additional amount equal to (i) if Executive has been employed continuously with the Company as of the Termination Date for less than five years, six months of Executive's base salary in effect as of the Termination Date, or (ii) if Executive has been employed continuously with the Company as of the Termination Date for five years or more, twelve months of Executive's base salary in effect as of the Termination Date. Subject to Section 11, such supplemental salary continuation shall be paid to Executive in accordance with the Company's regular payroll schedule, at the regular base salary payroll rate in effect as of the Termination Date, commencing on the first regular payroll date of the Company that occurs following the completion of all payments under Section 9(a) and continuing for six months (or twelve months as applicable if Executive has been employed continuously for five years or more). The Company and Executive intend the payments under this Section 9(b) to be deferred compensation payable in compliance with the requirements of Section 409A of the Code.

(c) Incentive Pay. If the Termination Date is any day other than the last day of the plan year under the CIP, the Company shall pay to Executive an amount equal to a prorated portion of the award that would have been payable to Executive under the CIP for such plan year based on actual performance towards objectives, prorated based on the number of days of the plan year occurring through the Termination Date divided by 365. Any individual performance objectives applicable to Executive for the fiscal year shall be deemed to have been met at a level resulting in payout of 50% of the award amount allocated to such individual objectives. The payment shall be paid to Executive at the same time and in the same manner as CIP awards are paid to other executives of the Company pursuant to the CIP, but not later than 2½ months following the end of the fiscal year in which the Termination Date occurs, provided that Executive has satisfied the conditions set forth in Section 11. Any separation pay that may become payable pursuant to this Section 9(c) is intended to be a short-term deferral not subject to the requirements of Section 409A of the Code.

(d) Medical Benefits. If Executive (and/or Executive's covered dependents) is eligible for and properly elects to continue group medical insurance coverage, as in place immediately prior to the Termination Date, and if Executive continues to pay the employee portion of such medical coverage, the Company will pay or reimburse the employer portion of such coverage until the earlier of (i) (A) if Executive has been employed continuously with the Company as of the Termination Date for less than five years, twelve months after the Termination Date, or (B) if Executive has been employed continuously with the Company as of the Termination Date for five years or more, eighteen months after the Termination Date, or (ii) the date Executive (and Executive's covered dependents) are no longer eligible for medical continuation coverage under COBRA.

10. Payment Timing Following Change in Control. If Executive's employment with the Company is terminated (i) involuntarily at the initiative of the Company without Cause (including termination upon expiration of the Term following notice of non-renewal by the Company pursuant to Section 1) or (ii) on the initiative of Executive for Good Reason such that Executive's Termination Date occurs within six months after the first occurrence of a condition giving rise to Good Reason (as described in Section 13(d)(i) – (iv) below), and if such Termination Date occurs upon or within one year following a Change in Control, then, in addition to such base salary and any incentive compensation for the last completed fiscal year that has been earned but not paid to Executive as of the Termination Date, the Company shall provide to Executive the severance payments and benefits set forth in Sections 9(a), (b), (c) and (d) above, subject to the conditions in Section 11, except that the salary continuation payments set forth in Sections 9(a) and (b) shall be paid to Executive in a single lump sum as soon as administratively feasible following the Termination Date, but in no event more than 2½ months following the Termination Date. Any such lump sum payment pursuant to this Section 10 is intended to be a short-term deferral not subject to the requirements of Section 409A of the Code.

11. Conditions. Notwithstanding anything above to the contrary, the Company will not be obligated to make any payments to Executive under Section 9 or Section 10 hereof unless: Executive has signed a release of claims in favor of the Company and its affiliates and related entities, and their directors, officers, insurers, employees and agents, in a form prescribed by the Company (but such release will not require Executive to release any rights under any qualified employee benefit plan of the Company in which Executive is a participant or any rights to indemnification as an employee, officer, or director of the Company); all applicable rescission periods provided by law for releases of claims shall have expired and Executive shall have signed and not rescinded the release of claims; and Executive is in material compliance with the terms of this Agreement as of the dates of such payments.

12. Other Termination. If Executive's employment with the Company is terminated:

- (a) by reason of Executive's abandonment of Executive's employment or resignation for any reason other than Good Reason;
- (b) by reason of termination of Executive's employment by the Company for Cause;
- (c) upon death or Disability; or

(d) upon or following expiration of the Term following notice of non-renewal by Executive pursuant to Section 1,

then the Company will pay to Executive, or Executive's beneficiary or Executive's estate, as the case may be, such base salary that has been earned but not paid to Executive as of the Termination Date, payable pursuant to the Company's normal payroll practices and procedures, and such incentive compensation that has been earned as of the Termination Date, payable as provided in the applicable plans or programs.

13. Definitions.

(a) Cause. "Cause" hereunder means:

(i) Executive's commission of any act constituting a felony, or Executive's conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation or theft;

(ii) gross misconduct or any act of fraud, disloyalty or dishonesty by Executive related to or connected with Executive's employment by the Company or otherwise likely to cause material harm to the Company or its reputation;

- (iii) a material violation by Executive of the Company's policies or codes of conduct; or
- (iv) the willful or material breach of this Agreement by Executive.

(b) Change in Control. "Change in Control" hereunder shall mean any change in effective control or ownership of the Company that (i) constitutes a Change in Control as such term is defined under the Buffalo Wild Wings, Inc. 2003 Equity Incentive Plan, as in effect from time to time, and (ii) constitutes a change in ownership or effective control, or a change in the ownership of a substantial portion of the assets, of the Company under Code Section 409A.

(c) Disability. "Disability" hereunder means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of Executive's position of employment or any substantially similar position of employment.

(d) Good Reason. "Good Reason" hereunder means any of the following conditions arising without the consent of Executive, provided that Executive has first given written notice to the Company of the existence of the condition within 90 days of its first occurrence, and the Company has failed to remedy the condition within 30 days thereafter:

- (i) a material diminution in the Executive's base salary (other than a reduction permitted by Section 3(a) above in the case of a general reduction for all executive officers);
- (ii) a material diminution in the Executive's authority, duties, or responsibilities;
- (iii) relocation of Executive's principal office more than 50 miles from its current location; or
- (iv) any other action or inaction that constitutes a material breach by the Company of any terms or conditions of this Agreement, which breach has not been caused by Executive.

14. Other Post-Termination Obligations.

(a) Other Obligations. In the event of termination of Executive's employment, the sole obligation of the Company under this Agreement will be its obligation to make the payments called for by Sections 9, 10 or 12 hereof, as the case may be, and the Company will have no other obligation to Executive or to Executive's beneficiary or Executive's estate, except as otherwise provided by law or by the terms of any employee benefit plans or programs, or of any incentive compensation or stock ownership plans, then maintained by the Company in which Executive participates.

(b) Immediately upon termination of Executive's employment with the Company for any reason, Executive will resign all positions then held as a director or officer of the Company and of any subsidiary, parent or affiliated entity of the Company.

(c) Upon termination of Executive's employment with the Company, Executive shall promptly deliver to the Company any and all Company records and any and all Company property in Executive's possession or under Executive's control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, flash drives or other digital storage media, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, handheld personal computers or other digital devices, telephones and other electronic equipment belonging to the Company.

(d) Following termination of Executive's employment with the Company for any reason, Executive will, upon reasonable request of the Company or its designee, cooperate with the Company in connection with the transition of Executive's duties and responsibilities for the Company; consult with the Company regarding business matters that Executive was directly and substantially involved with while employed by the Company; and be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities in connection with any litigation or investigation, with respect to matters that Executive then has or may have knowledge of by virtue of Executive's employment by or service to the Company or any related entity.

(e) Executive will not malign, defame or disparage the reputation, character, image, products or services of the Company, or the reputation or character of the Company's directors, officers, employees or agents. Officers or Directors of the Company shall not make any public statement that disparages or defames Executive's reputation or character. Nothing in this Section 14(e) shall be construed to limit or restrict Executive or the Company from taking any action that such party in good faith reasonably believes is necessary to fulfill such party's fiduciary obligations to the Company, from making any statement internal to the Company's operations for legitimate business reasons, or from providing truthful information in connection with any legal proceeding, government investigation or other legal matter.

15. Miscellaneous.

(a) Tax Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state and local income and employment taxes as the Company shall determine are required to be withheld pursuant to any applicable law or regulation. The Company makes no assurances to Executive as to the tax treatment of any payments hereunder and, except with respect to tax amounts withheld by the Company, Executive will be responsible for payment and remittance of all taxes due with respect to compensation received or imputed under this Agreement.

(b) Section 409A. This Agreement and the payments hereunder are intended to be exempt from or to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Internal Revenue Code of 1986, as amended, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

(c) Governing Law. All matters relating to the interpretation, construction, application, validity, and enforcement of this Agreement will be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.

(d) Jurisdiction and Venue. Executive and the Company consent to jurisdiction of the courts of the State of Minnesota and/or the United States District Court, District of Minnesota, for the purpose of resolving all issues of law, equity, or fact arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement must be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Minnesota and hereby waives any defense of lack of personal jurisdiction. Venue, for the purpose of all such suits, will be in Hennepin County, State of Minnesota.

(e) Waiver of Jury Trial. To the extent permitted by law, Executive and the Company waive any and all rights to a jury trial with respect to any dispute arising out of or relating to this Agreement.

(f) Entire Agreement. This Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, including without limitation the Prior Agreement, and the parties hereto have made no agreements, representations, or warranties relating to the subject matter of this Agreement that are not set forth herein. The RSU Agreement remains in full force and effect as amended.

(g) No Violation of Other Agreements. Executive hereby represents and agrees that neither (i) Executive's entering into this Agreement nor (ii) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written, or other) to which Executive is a party or by which Executive is bound.

(h) Assignment. This Agreement shall not be assignable, in whole or in part, by either party without the written consent of the other party, except that the Company may, without the consent of Executive, assign or delegate all or any portion of its rights and obligations under this Agreement to any corporation or other business entity (i) with which the Company may merge or consolidate, (ii) to which the Company may sell or transfer all or substantially all of its assets or capital stock, or (iii) of which 50% or more of the capital stock or the voting control is owned, directly or indirectly, by the Company or which is under common ownership or control with the Company. Any such current or future successor, parent, affiliate or other joint venture partner to which any right or obligation has been assigned or delegated shall be deemed to be the "Company" for purposes of such rights or obligations of this Agreement.

(i) Amendments. No amendment or modification of this Agreement will be effective unless made in writing and signed by the parties hereto.

(j) Counterparts. This Agreement may be executed by facsimile signature and in any number of counterparts, and such counterparts executed and delivered, each as an original, will constitute but one and the same instrument.

(k) Severability. Subject to Section 7(d) hereof, to the extent that any portion of any provision of this Agreement is held invalid or unenforceable, it will be considered deleted herefrom and the remainder of such provision and of this Agreement will be unaffected and will continue in full force and effect.

(l) Survival. The provisions of this Agreement that by their terms or implication extend beyond the Term, including without limitation Sections 4, 6, 7, 14, and 15 of this Agreement, shall survive the termination or expiration of the Term and termination of Executive's employment with the Company for any reason.

(m) Captions and Headings. The captions and paragraph headings used in this Agreement are for convenience of reference only and will not affect the construction or interpretation of this Agreement or any of the provisions hereof.

(n) Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when (i) delivered personally; (ii) sent by facsimile or other similar electronic device with confirmation; (iii) delivered by reliable overnight courier; or (iv) three business days after being sent by registered or certified mail, postage prepaid, and in the case of (iii) and (iv) addressed as follows:

If to the Company: Buffalo Wild Wings, Inc.
5500 Wayzata Boulevard, Suite 1600
Minneapolis, MN 55416
Fax: (952) 593-9787
Attention: Chief Executive Officer and President
copy to: General Counsel

If to Executive: Latest address of Executive in the formal records of the Company

Executive and the Company have executed this Agreement effective as of the date set forth in the first paragraph.

BUFFALO WILD WINGS, INC.

By: /s/ Sally Smith

Sally Smith

Its: Chief Executive Officer and President

/s/ Lee R. Patterson

Lee Patterson

Employment Agreement

This Employment Agreement (“Agreement”) is entered into effective May 11, 2012 by and between Buffalo Wild Wings, Inc., a Minnesota corporation (the “Company”), and Andrew Block, a resident of Minnesota (“Executive”).

Background

- A. Executive is currently employed by the Company as its Senior Vice President, Talent Management Services. The Company desires to continue to employ Executive under the terms and conditions set forth in this Agreement.
- B. The Company and Executive are also parties to the 2003 Equity Incentive Plan and the 2007 Equity Incentive Plan.
- C. Executive is a key member of the management of the Company and is expected to devote substantial skill and effort to the affairs of the Company, and the Company desires to recognize the significant personal contribution that Executive makes and is expected to continue to make to further the best interests of the Company and its shareholders.
- D. It is desirable and in the best interests of the Company and its shareholders to continue to obtain the benefits of Executive’s services and attention to the affairs of the Company. It is desirable and in the best interests of the Company and its shareholders to provide inducement for Executive (1) to remain in the service of the Company in the event of any proposed or anticipated change in control of the Company and (2) to remain in the service of the Company in order to facilitate an orderly transition in the event of a change in control of the Company.
- E. It is desirable and in the best interests of the Company and its shareholders that Executive be in a position to make judgments and advise the Company with respect to proposed changes in control of the Company without regard to the possibility that Executive’s employment may be terminated without compensation in the event of certain changes in control of the Company.
- F. In Executive’s position, Executive will have access to confidential, proprietary and trade secret information of the Company. It is desirable and in the best interests of the Company and its shareholders to protect confidential, proprietary and trade secret information of the Company, to prevent unfair competition by former executives of the Company following separation of their employment with the Company and to secure cooperation from former executives with respect to matters related to their employment with the Company.

Agreement

In consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall continue in effect until the last day of the Company's fiscal year 2012, unless earlier terminated in accordance with Section 8 of this Agreement. Thereafter, unless earlier terminated in accordance with Section 8 hereof, the term of Executive's employment with the Company shall be automatically extended for successive one-year periods, each ending on the last day of the Company's fiscal year, unless either party gives written notice to the other party at least four (4) months prior to the expiration of such term that such party elects not to extend the term of this Agreement. The term of Executive's employment, beginning on the Effective Date of this Agreement, together with any automatic extensions thereof, shall collectively be the "Term."

2. Position and Duties. During Executive's employment under this Agreement, Executive will have the following position, duties and responsibilities:

(a) Position with the Company. Executive will serve as Senior Vice President, Talent Management Services of the Company, or in such other executive position of a similar nature, and will perform such duties and responsibilities as the EVP, North American Operations and/or the Chief Executive Officer or President of the Company (the "CEO") may assign Executive from time to time.

(b) Performance of Duties and Responsibilities. Executive will serve the Company faithfully and to the best of Executive's ability and will devote Executive's full working time, attention, and efforts to the business of the Company. Executive will report to the EVP, North American Operations or to her designee. Executive will follow and comply with applicable policies and procedures adopted by the Company from time to time, including without limitation policies relating to business ethics, conflict of interest, non-discrimination, confidentiality and protection of trade secrets, and insider trading. Executive will not engage in other employment or other material business activity, except as approved in writing by the General Counsel or the Chief Executive Officer and President. Executive hereby represents and confirms that Executive is under no contractual or legal commitments that would prevent Executive from fulfilling Executive's duties and responsibilities as set forth in this Agreement.

3. Compensation. During Executive's employment under this Agreement, Executive will be provided with the following compensation and benefits:

(a) Base Salary. The Company will pay to Executive for services provided hereunder a base salary paid in accordance with the Company's normal payroll policies and procedures. The Board of Directors of the Company (or any authorized committees of the Board, together hereafter the "Board") will review Executive's performance on an annual basis and determine any adjustments to Executive's base salary in its sole discretion; provided, however, that any reduction shall be permitted only if the Company then reduces the base compensation of all its executive officers generally and shall not exceed the average percentage reduction for all such executive officers.

(b) Incentive Compensation. Executive will be eligible to participate in the Buffalo Wild Wings, Inc. Cash Incentive Plan in accordance with its terms, as may be amended and in effect from time to time (the "CIP").

(c) Equity. Executive will be eligible to participate in such programs under the Buffalo Wild Wings, Inc. 2003 Equity Incentive Plan and the 2012 Equity Incentive Plan as determined by the Board and in accordance with the terms of such plans as may be in effect from time to time.

(d) Employee Benefits. Executive will be entitled to participate in all employee benefit plans and programs generally available to executive employees of the Company, to the extent that Executive meets the eligibility requirements for each individual plan or program. Executive's participation in any plan or program will be subject to the provisions, rules, and regulations of, or applicable to, the plan or program. The Company provides no assurance as to the adoption or continuation of any particular employee benefit plan or program.

(e) Expenses. The Company will reimburse Executive for all reasonable and necessary out-of-pocket business, travel, and entertainment expenses incurred by Executive in the performance of Executive's duties and responsibilities to the Company during the Term. Such reimbursement shall be subject to the Company's normal policies and procedures for expense verification, documentation, and reimbursement; provided, however, that Executive shall submit verification of expenses within 30 days after the date the expense was incurred, and the Company shall reimburse Executive for such expenses eligible for reimbursement within 30 days thereafter.

4. Confidential Information. Except as authorized in writing by the Board or as necessary in carrying out Executive's responsibilities for the Company, Executive will not at any time divulge, furnish, or make accessible to anyone or use in any way, any confidential, proprietary, or secret knowledge or information of the Company that Executive has acquired or will acquire about the Company, whether developed by himself or by others, concerning (i) any trade secrets, (ii) any confidential, proprietary, or secret recipes, designs, inventions, discoveries, programs, processes, formulae, plans, devices, or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company, (iii) any customer or supplier lists, (iv) any confidential, proprietary, or secret development or research work, (v) any strategic or other business, marketing, or sales plans, systems or techniques, (vi) any financial data or plans, or (vii) any other confidential or proprietary information or secret aspects of the business of the Company. Executive acknowledges that the above-described knowledge and information constitute a unique and valuable asset of the Company and represent a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. Executive will refrain from intentionally committing any acts that would materially reduce, and shall take reasonable steps to protect, the value of such knowledge and information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) at the time of Executive's use or disclosure is generally publicly known, other than as a direct or indirect result of the breach by Executive of this Agreement, (ii) is independently made available to Executive in good faith by a third party who has not violated a confidential relationship with the Company, or (iii) is required to be disclosed by law or legal process. Executive understands and agrees that Executive's obligations under this Agreement to maintain the confidentiality of the Company's confidential information are in addition to any obligations of Executive under applicable statutory or common law.

5 . Ventures. If, during Executive's employment with the Company, Executive participates in the planning or implementing of any project, program, or venture involving the Company, all rights in such project, program, or venture belong to the Company. Except as approved in writing by the Board, Executive will not be entitled to any interest in any such project, program, or venture or to any commission, finder's fee, or other compensation in connection therewith. Executive will have no interest, direct or indirect, in any customer or supplier that conducts business with the Company. Ownership by Executive, as a passive investment, of less than one percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 5.

6. Intellectual Property.

(a) Disclosure and Assignment. As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while Executive is employed by the Company, and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others while Executive is employed by the Company, in each case, that relates to the Company's business (collectively, "Creations"). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Creation. Every copyrightable Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a "work made for hire" as defined in 17 U.S.C. § 101, and the Company shall own all rights in and to such matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

(b) Trademarks. All right, title, and interest in and to any and all trademarks, trade names, service marks, and logos adopted, used, or considered for use by the Company during Executive's employment (whether or not developed by Executive) to identify the Company's business or other goods or services (collectively, the "Marks"), together with the goodwill appurtenant thereto, and all other materials, ideas, or other property conceived, created, developed, adopted, or improved by Executive solely or jointly during Executive's employment by the Company and relating to its business shall be owned exclusively by the Company. Executive shall not have, and will not claim to have, any right, title, or interest of any kind in or to the Marks or such other property.

(c) Documentation. Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any patentable invention relating to the Company's business and disclosed by Executive prior to the first anniversary of the effective date of Executive's termination of employment shall be deemed to be governed by the terms of this Section 6 unless proven by Executive to have been first conceived and made after such termination date.

(d) Non-Applicability. Executive is hereby notified that this Section 6 does not apply to any invention for which no equipment, supplies, facility, confidential information, or other trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (1) the invention relates (a) directly to the business of the Company or (b) to the Company's actual or demonstrably anticipated research or development, or (2) the invention results from any work performed by Executive for the Company.

7. Noncompetition and Nonsolicitation Covenants.

(a) Agreement Not to Compete. During Executive's employment with the Company and for a period of twelve (12) consecutive months from and after the termination of Executive's employment, whether such termination is with or without Cause, is at the instance of Executive or the Company or occurs before or after expiration of the Term, Executive will not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, investor, stockholder, employee, member of any association, consultant, or otherwise, engage or participate in any Competitive Business. "Competitive Business" means any person, entity or business operation (other than the Company) that operates, manages or franchises, in the United States (i) a sports-themed restaurant that operates, manages or franchises two or more restaurants, markets the public viewing of sports and has alcohol sales of 20% or more, (ii) a restaurant that operates, manages or franchises two or more restaurants and features chicken wings that account for 10% or more of food sales, or (iii) any other business concept being operated by or under consideration by the Company as of the date of the Executive's employment termination. Ownership by Executive, as a passive investment, of less than one percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7(a).

(b) Agreement Not to Hire. During Executive's employment with the Company and for a period of twelve (12) consecutive months from and after the termination of Executive's employment, whether such termination is with or without Cause, is at the instance of Executive or the Company or occurs before or after expiration of the Term, Executive will not, directly or indirectly, in any manner or capacity, including without limitation as a proprietor, principal, agent, partner, officer, director, investor, stockholder, employee, member of any association, consultant, or otherwise, hire, engage, or solicit any person who is then an employee of the Company at a director level or above, or who was such an employee of the Company at any time during the six-month period immediately preceding Executive's termination of employment.

(c) Agreement Not to Solicit. During Executive's employment with the Company and for a period of twelve (12) consecutive months from and after the termination of Executive's employment, whether such termination is with or without Cause, is at the instance of Executive or the Company or occurs before or after expiration of the Term, Executive will not, directly or indirectly, in any manner or capacity including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant, or otherwise, solicit, request, advise, or induce any current or potential customer, supplier, vendor or other business contact of the Company to cancel, curtail, or otherwise change its relationship adversely to the Company, or interfere in any manner with the relationship between the Company and any of its customers, suppliers, vendors or other business contacts.

(d) Modification. If the duration of, the scope of, or any business activity covered by, any provision of this Section 7 exceeds that which is valid and enforceable under applicable law, such provision will be construed to cover only that duration, scope, or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 will be construed so that its provisions are valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(e) No Adequate Remedy at Law. Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive will cause substantial and irreparable harm to the Company to such an extent that monetary damage alone would be an inadequate remedy therefor. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company will, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

8. Termination of Employment.

(a) The Executive's employment with the Company under this Agreement will terminate upon:

(i) Expiration of the Term following notice of non-renewal pursuant to Section 1 of this Agreement;

(ii) The Company providing written notice to Executive of the termination of Executive's employment, effective as of the date stated in such notice;

(iii) The Company's receipt of Executive's written resignation from the Company, effective not earlier than 30 days after delivery of such written notice of resignation, provided that the Board may waive such notice or relieve Executive of Executive's duties during such notice period;

(iv) Executive's Disability; or

(v) Executive's death.

(b) The date upon which Executive's termination of employment with the Company is effective is the "Termination Date." For purposes of Section 9 of this Agreement only, the Termination Date shall mean the date on which a "separation from service" has occurred for purposes of Section 409A of the Internal Revenue Code and the regulations and guidance thereunder (the "Code").

9 . Payments Upon Involuntary Termination Without Cause or Resignation for Good Reason. If Executive's employment with the Company is terminated (i) involuntarily at the initiative of the Company without Cause (including termination upon expiration of the Term following notice of non-renewal by the Company pursuant to Section 1) or (ii) on the initiative of Executive for Good Reason such that Executive's Termination Date occurs within six months after the first occurrence of a condition giving rise to Good Reason (as described in Section 13(d)(i) – (iv) below), then, unless such Termination Date occurs upon or within one year following a Change in Control, in addition to such base salary and any incentive compensation for the last completed fiscal year that has been earned but not paid to Executive as of the Termination Date, the Company shall provide to Executive the severance payments and benefits set forth in Sections 9(a), (b), (c) and (d) below, subject to the conditions in Section 11:

(a) Base Salary Continuation. The Company shall pay to Executive an amount equal to six months of Executive's base salary in effect as of the Termination Date, but not to exceed a maximum amount under this Section 9(a) of two times the lesser of:

(i) The Code § 401(a)(17) compensation limit for the year in which the Termination Date occurs; or

(ii) Executive's annualized compensation based upon the annual rate of pay for services to the Company for the calendar year prior to the calendar year in which the Termination Date occurs (adjusted for any increase during that year that was expected to continue indefinitely if Executive had not separated from service).

Subject to Section 11, such salary continuation shall be paid to Executive in accordance with the Company's regular payroll schedule, at the regular base salary payroll rate in effect as of the Termination Date, commencing on the first regular payroll date of the Company that occurs following the Termination Date and continuing for six months. The Company and Executive intend the payments under this Section 9(a) to be a "separation pay plan due to involuntary separation from service" under Treas. Reg. § 1.409A-1(b)(9)(iii).

(b) Supplemental Salary Continuation. The Company shall pay to Executive an additional amount equal to (i) if Executive has been employed continuously with the Company as of the Termination Date for less than five years, six months of Executive's base salary in effect as of the Termination Date, or (ii) if Executive has been employed continuously with the Company as of the Termination Date for five years or more, twelve months of Executive's base salary in effect as of the Termination Date. Subject to Section 11, such supplemental salary continuation shall be paid to Executive in accordance with the Company's regular payroll schedule, at the regular base salary payroll rate in effect as of the Termination Date, commencing on the first regular payroll date of the Company that occurs following the completion of all payments under Section 9(a) and continuing for six months (or twelve months as applicable if Executive has been employed continuously for five years or more). The Company and Executive intend the payments under this Section 9(b) to be deferred compensation payable in compliance with the requirements of Section 409A of the Code.

(c) Incentive Pay. If the Termination Date is any day other than the last day of the plan year under the CIP, the Company shall pay to Executive an amount equal to a prorated portion of the award that would have been payable to Executive under the CIP for such plan year based on actual performance towards objectives, prorated based on the number of days of the plan year occurring through the Termination Date divided by 365. Any individual performance objectives applicable to Executive for the fiscal year shall be deemed to have been met at a level resulting in payout of 50% of the award amount allocated to such individual objectives. The payment shall be paid to Executive at the same time and in the same manner as CIP awards are paid to other executives of the Company pursuant to the CIP, but not later than 2½ months following the end of the fiscal year in which the Termination Date occurs, provided that Executive has satisfied the conditions set forth in Section 11. Any separation pay that may become payable pursuant to this Section 9(c) is intended to be a short-term deferral not subject to the requirements of Section 409A of the Code.

(d) Medical Benefits. If Executive (and/or Executive's covered dependents) is eligible for and properly elects to continue group medical insurance coverage, as in place immediately prior to the Termination Date, and if Executive continues to pay the employee portion of such medical coverage, the Company will pay or reimburse the employer portion of such coverage until the earlier of (i) (A) if Executive has been employed continuously with the Company as of the Termination Date for less than five years, twelve months after the Termination Date, or (B) if Executive has been employed continuously with the Company as of the Termination Date for five years or more, eighteen months after the Termination Date, or (ii) the date Executive (and Executive's covered dependents) are no longer eligible for medical continuation coverage under COBRA.

10. Payment Timing Following Change in Control. If Executive's employment with the Company is terminated (i) involuntarily at the initiative of the Company without Cause (including termination upon expiration of the Term following notice of non-renewal by the Company pursuant to Section 1) or (ii) on the initiative of Executive for Good Reason such that Executive's Termination Date occurs within six months after the first occurrence of a condition giving rise to Good Reason (as described in Section 13(d)(i) – (iv) below), and if such Termination Date occurs upon or within one year following a Change in Control, then, in addition to such base salary and any incentive compensation for the last completed fiscal year that has been earned but not paid to Executive as of the Termination Date, the Company shall provide to Executive the severance payments and benefits set forth in Sections 9(a), (b), (c) and (d) above, subject to the conditions in Section 11, except that the salary continuation payments set forth in Sections 9(a) and (b) shall be paid to Executive in a single lump sum as soon as administratively feasible following the Termination Date, but in no event more than 2½ months following the Termination Date. Any such lump sum payment pursuant to this Section 10 is intended to be a short-term deferral not subject to the requirements of Section 409A of the Code.

11. Conditions. Notwithstanding anything above to the contrary, the Company will not be obligated to make any payments to Executive under Section 9 or Section 10 hereof unless: Executive has signed a release of claims in favor of the Company and its affiliates and related entities, and their directors, officers, insurers, employees and agents, in a form prescribed by the Company (but such release will not require Executive to release any rights under any qualified employee benefit plan of the Company in which Executive is a participant or any rights to indemnification as an employee, officer, or director of the Company); all applicable rescission periods provided by law for releases of claims shall have expired and Executive shall have signed and not rescinded the release of claims; and Executive is in material compliance with the terms of this Agreement as of the dates of such payments.

12. Other Termination. If Executive's employment with the Company is terminated:

- (a) by reason of Executive's abandonment of Executive's employment or resignation for any reason other than Good Reason;
- (b) by reason of termination of Executive's employment by the Company for Cause;
- (c) upon death or Disability; or

(d) upon or following expiration of the Term following notice of non-renewal by Executive pursuant to Section 1,

then the Company will pay to Executive, or Executive's beneficiary or Executive's estate, as the case may be, such base salary that has been earned but not paid to Executive as of the Termination Date, payable pursuant to the Company's normal payroll practices and procedures, and such incentive compensation that has been earned as of the Termination Date, payable as provided in the applicable plans or programs.

13. Definitions.

(a) Cause. "Cause" hereunder means:

- (i) Executive's commission of any act constituting a felony, or Executive's conviction or guilty or no contest plea to any criminal misdemeanor involving fraud, misrepresentation or theft;
- (ii) gross misconduct or any act of fraud, disloyalty or dishonesty by Executive related to or connected with Executive's employment by the Company or otherwise likely to cause material harm to the Company or its reputation;
- (iii) a material violation by Executive of the Company's policies or codes of conduct; or
- (iv) the willful or material breach of this Agreement by Executive.

(b) Change in Control. "Change in Control" hereunder shall mean any change in effective control or ownership of the Company that (i) constitutes a Change in Control as such term is defined under the Buffalo Wild Wings, Inc. 2003 Equity Incentive Plan, as in effect from time to time, and (ii) constitutes a change in ownership or effective control, or a change in the ownership of a substantial portion of the assets, of the Company under Code Section 409A.

(c) Disability. “Disability” hereunder means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Executive to be unable to perform the duties of Executive’s position of employment or any substantially similar position of employment.

(d) Good Reason. “Good Reason” hereunder means any of the following conditions arising without the consent of Executive, provided that Executive has first given written notice to the Company of the existence of the condition within 90 days of its first occurrence, and the Company has failed to remedy the condition within 30 days thereafter:

- (i) a material diminution in the Executive’s base salary (other than a reduction permitted by Section 3(a) above in the case of a general reduction for all executive officers);
- (ii) a material diminution in the Executive’s authority, duties, or responsibilities;
- (iii) relocation of Executive’s principal office more than 50 miles from its current location; or
- (iv) any other action or inaction that constitutes a material breach by the Company of any terms or conditions of this Agreement, which breach has not been caused by Executive.

14. Other Post-Termination Obligations.

(a) Other Obligations. In the event of termination of Executive’s employment, the sole obligation of the Company under this Agreement will be its obligation to make the payments called for by Sections 9, 10 or 12 hereof, as the case may be, and the Company will have no other obligation to Executive or to Executive’s beneficiary or Executive’s estate, except as otherwise provided by law or by the terms of any employee benefit plans or programs, or of any incentive compensation or stock ownership plans, then maintained by the Company in which Executive participates.

(b) Immediately upon termination of Executive’s employment with the Company for any reason, Executive will resign all positions then held as a director or officer of the Company and of any subsidiary, parent or affiliated entity of the Company.

(c) Upon termination of Executive’s employment with the Company, Executive shall promptly deliver to the Company any and all Company records and any and all Company property in Executive’s possession or under Executive’s control, including without limitation manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, flash drives or other digital storage media, source codes, data, tables or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary or other secret information of the Company and all copies thereof, and keys, access cards, access codes, passwords, credit cards, personal computers, handheld personal computers or other digital devices, telephones and other electronic equipment belonging to the Company.

(d) Following termination of Executive's employment with the Company for any reason, Executive will, upon reasonable request of the Company or its designee, cooperate with the Company in connection with the transition of Executive's duties and responsibilities for the Company; consult with the Company regarding business matters that Executive was directly and substantially involved with while employed by the Company; and be reasonably available, with or without subpoena, to be interviewed, review documents or things, give depositions, testify, or engage in other reasonable activities in connection with any litigation or investigation, with respect to matters that Executive then has or may have knowledge of by virtue of Executive's employment by or service to the Company or any related entity.

(e) Executive will not malign, defame or disparage the reputation, character, image, products or services of the Company, or the reputation or character of the Company's directors, officers, employees or agents. Officers or Directors of the Company shall not make any public statement that disparages or defames Executive's reputation or character. Nothing in this Section 14(e) shall be construed to limit or restrict Executive or the Company from taking any action that such party in good faith reasonably believes is necessary to fulfill such party's fiduciary obligations to the Company, from making any statement internal to the Company's operations for legitimate business reasons, or from providing truthful information in connection with any legal proceeding, government investigation or other legal matter.

15. Miscellaneous.

(a) Tax Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state and local income and employment taxes as the Company shall determine are required to be withheld pursuant to any applicable law or regulation. The Company makes no assurances to Executive as to the tax treatment of any payments hereunder and, except with respect to tax amounts withheld by the Company, Executive will be responsible for payment and remittance of all taxes due with respect to compensation received or imputed under this Agreement.

(b) Section 409A. This Agreement and the payments hereunder are intended to be exempt from or to satisfy the requirements of Section 409A(a)(2), (3) and (4) of the Internal Revenue Code of 1986, as amended, including current and future guidance and regulations interpreting such provisions, and should be interpreted accordingly.

(c) Governing Law. All matters relating to the interpretation, construction, application, validity, and enforcement of this Agreement will be governed by the laws of the State of Minnesota without giving effect to any choice or conflict of law provision or rule, whether of the State of Minnesota or any other jurisdiction, that would cause the application of laws of any jurisdiction other than the State of Minnesota.

(d) Jurisdiction and Venue. Executive and the Company consent to jurisdiction of the courts of the State of Minnesota and/or the United States District Court, District of Minnesota, for the purpose of resolving all issues of law, equity, or fact arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement must be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Minnesota and hereby waives any defense of lack of personal jurisdiction. Venue, for the purpose of all such suits, will be in Hennepin County, State of Minnesota.

(e) Waiver of Jury Trial. To the extent permitted by law, Executive and the Company waive any and all rights to a jury trial with respect to any dispute arising out of or relating to this Agreement.

(f) Entire Agreement. This Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, including without limitation the Prior Agreement, and the parties hereto have made no agreements, representations, or warranties relating to the subject matter of this Agreement that are not set forth herein. The RSU Agreement remains in full force and effect as amended.

(g) No Violation of Other Agreements. Executive hereby represents and agrees that neither (i) Executive's entering into this Agreement nor (ii) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written, or other) to which Executive is a party or by which Executive is bound.

(h) Assignment. This Agreement shall not be assignable, in whole or in part, by either party without the written consent of the other party, except that the Company may, without the consent of Executive, assign or delegate all or any portion of its rights and obligations under this Agreement to any corporation or other business entity (i) with which the Company may merge or consolidate, (ii) to which the Company may sell or transfer all or substantially all of its assets or capital stock, or (iii) of which 50% or more of the capital stock or the voting control is owned, directly or indirectly, by the Company or which is under common ownership or control with the Company. Any such current or future successor, parent, affiliate or other joint venture partner to which any right or obligation has been assigned or delegated shall be deemed to be the "Company" for purposes of such rights or obligations of this Agreement.

(i) Amendments. No amendment or modification of this Agreement will be effective unless made in writing and signed by the parties hereto.

(j) Counterparts. This Agreement may be executed by facsimile signature and in any number of counterparts, and such counterparts executed and delivered, each as an original, will constitute but one and the same instrument.

(k) Severability. Subject to Section 7(d) hereof, to the extent that any portion of any provision of this Agreement is held invalid or unenforceable, it will be considered deleted herefrom and the remainder of such provision and of this Agreement will be unaffected and will continue in full force and effect.

(l) Survival. The provisions of this Agreement that by their terms or implication extend beyond the Term, including without limitation Sections 4, 6, 7, 14, and 15 of this Agreement, shall survive the termination or expiration of the Term and termination of Executive's employment with the Company for any reason.

(m) Captions and Headings. The captions and paragraph headings used in this Agreement are for convenience of reference only and will not affect the construction or interpretation of this Agreement or any of the provisions hereof.

(n) Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when (i) delivered personally; (ii) sent by facsimile or other similar electronic device with confirmation; (iii) delivered by reliable overnight courier; or (iv) three business days after being sent by registered or certified mail, postage prepaid, and in the case of (iii) and (iv) addressed as follows:

If to the Company: Buffalo Wild Wings, Inc.
5500 Wayzata Boulevard, Suite 1600
Minneapolis, MN 55416
Fax: (952) 593-9787
Attention: Chief Executive Officer and President
copy to: General Counsel

If to Executive: Latest address of Executive in the formal records of the Company

Executive and the Company have executed this Agreement effective as of the date set forth in the first paragraph.

BUFFALO WILD WINGS, INC.

By: /s/ Sally Smith

Sally Smith

Its: Chief Executive Officer and President

/s/ Andrew D. Block

Andrew Block

Significant Subsidiaries of the Registrant

The following are significant subsidiaries of Buffalo Wild Wings, Inc. as of December 30, 2012 and the states or jurisdictions in which they are organized. Buffalo Wild Wings, Inc. owns, directly or indirectly, at least 99% of the voting stock of each subsidiary. The names of particular subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

Name	State or Jurisdiction of Entity
Buffalo Wings International, Inc.	Ohio
Blazin Wings, Inc.	Minnesota
Real Wing, Inc.	Kansas
BWW Jersey Wings, Inc.	New Jersey
Tender Wings, Inc.	Minnesota
Texas Big Wings, Inc.	Texas
BWLD Global I, Inc.	Minnesota
BWLD Global II, Inc.	Minnesota
BWW Lex Park, LLC	Maryland
BWW Waldorf, LLC	Maryland
BWLD Canada, LP	Canada
BDUBS UK, Limited	United Kingdom

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Buffalo Wild Wings, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-110767, 333-134513, 333-151137, 333-181707, and 333-183548) on Form S-8 of Buffalo Wild Wings, Inc of our reports dated February 28, 2013, with respect to the consolidated balance sheets of Buffalo Wild Wings, Inc. and subsidiaries as of December 30, 2012 and December 25, 2011, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the fiscal years in the three-year period ended December 30, 2012, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 30, 2012 which reports appear in the December 30, 2012 annual report on Form 10-K of Buffalo Wild Wings, Inc.

/s/ KPMG LLP

Minneapolis, Minnesota
February 28, 2013

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Sally J. Smith, certify that:

1. I have reviewed this report on Form 10-K for fiscal year ended December 30, 2012 of Buffalo Wild Wings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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: February 28, 2013

/s/ SALLY J. SMITH
Sally J. Smith

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Mary J. Twinem, certify that:

1. I have reviewed this report on Form 10-K for fiscal year ended December 30, 2012 of Buffalo Wild Wings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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: February 28, 2013

/s/ MARY J. TWINEM

Mary J. Twinem

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

In connection with the Annual Report of Buffalo Wild Wings, Inc. (the "company") on Form 10-K for the year ended December 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Sally J. Smith, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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.

Date: February 28, 2013

/s/ SALLY J. SMITH
Sally J. Smith

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

In connection with the Annual Report of Buffalo Wild Wings, Inc. (the "company") on Form 10-K for the year ended December 30, 2012 as filed with the Securities and Exchange Commission (the "Report"), I, Mary J. Twinem, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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.

Date: February 28, 2013

/s/ MARY J. TWINEM
Mary J. Twinem

Nevada Gaming Regulation

The ownership and operation of our facilities with gaming in Nevada are subject to the Nevada Gaming Control Act and the regulations promulgated thereunder (collectively, the “Nevada Act”) and various local regulations. Our gaming operations are subject to the licensing and regulatory control of the Nevada Gaming Commission (the “Nevada Commission”), the Nevada State Gaming Control Board (the “Nevada Board”) and various county and city licensing agencies (the “local authorities”). The Nevada Commission, the Nevada Board, and the local authorities are collectively referred to as the “Nevada Gaming Authorities.”

The laws, regulations, and supervisory procedures of the Nevada Gaming Authorities are based upon declarations of public policy that are concerned with, among other things:

- the prevention of unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices;
- the maintenance of effective controls over the financial practices of licensees, including the establishment of minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues;
- providing reliable record keeping and requiring the filing of periodic reports with the Nevada Gaming Authorities;
- the prevention of cheating and fraudulent practices; and
- providing a source of state and local revenues through taxation and licensing fees.

Any change in such laws, regulations, and procedures could have an adverse effect on our gaming operations.

Our subsidiary company that owns and operates restaurants with gaming in Nevada is required to be licensed by the Nevada Gaming Authorities. We have also been licensed or found suitable as shareholder, as relevant, of the subsidiary gaming licensee.

Our licensed subsidiary may enter into an agreement with a slot route operator to conduct the gaming activities at the Nevada restaurants the licensed subsidiary owns and operates. The slot route operator engaged by the licensed subsidiary must be licensed by the Nevada Gaming Authorities.

We are required to be registered by the Nevada Commission as a publicly-traded corporation, and as such, we are required to periodically submit detailed financial and operating reports to the Nevada Commission and furnish any other information that the Nevada Commission may require. No person may become a stockholder or member of, or receive any percentage of profits from the licensed subsidiary without first obtaining licenses and approvals from the Nevada Gaming Authorities. Additionally, local authorities have taken the position that they have the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming licensee. Buffalo Wild Wings and our subsidiary that owns and operates gaming restaurants in Nevada have obtained from the Nevada Gaming Authorities the various registrations, approvals, permits and licenses required in order to engage in gaming activities in Nevada.

The Nevada Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with, Buffalo Wild Wings or the licensed subsidiary to determine whether such individual is suitable or should be licensed as a business associate of a gaming licensee. Officers, directors, and certain key employees of the licensed subsidiary must file applications with the Nevada Gaming Authorities and may be required to be licensed by the Nevada Gaming Authorities. Our officers, directors, and key employees who are actively and directly involved in the gaming activities of the licensed subsidiary may be required to be licensed or found suitable by the Nevada Gaming Authorities. The Nevada Gaming Authorities may deny an application for licensing or a finding of suitability for any cause they deem reasonable. A finding of suitability is comparable to licensing, and both require submission of detailed personal and financial information followed by a thorough investigation. The applicant for licensing or a finding of suitability, or the gaming licensee by which the applicant is employed or for whom the applicant serves, must pay all the costs of the investigation. Changes in licensed positions must be reported to the Nevada Gaming Authorities, and in addition to their authority to deny an application for a finding of suitability or licensure, the Nevada Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

If the Nevada Gaming Authorities were to find an officer, director, or key employee unsuitable for licensing or to continue having a relationship with us or the licensed subsidiary, Buffalo Wild Wings or the licensed subsidiary would have to sever all relationships with that person. In addition, the Nevada Commission may require us or the licensed subsidiary to terminate the employment of any person who refuses to file appropriate applications. Determinations of suitability or of questions pertaining to licensing in relation to Buffalo Wild Wings or its licensed subsidiary are not subject to judicial review in Nevada.

We are required to submit detailed financial and operating reports to the Nevada Commission. Substantially all of Buffalo Wild Wings and the licensed subsidiary's material loans, leases, sales of securities, and similar financing transactions must be reported to or approved by the Nevada Commission.

If the Nevada Commission determined that we or the licensed subsidiary violated the Nevada Act, it could limit, condition, suspend, or revoke, subject to compliance with certain statutory and regulatory procedures, our gaming license and those of the licensed subsidiary. In addition, we and the licensed subsidiary and the persons involved could be subject to substantial fines for each separate violation of the Nevada Act at the discretion of the Nevada Commission. Further, a supervisor could be appointed by the Nevada Commission to operate the gaming establishments and, under certain circumstances, earnings generated during the supervisor's appointment (except for the reasonable rental value of the gaming establishments) could be forfeited to the State of Nevada. Limitation, conditioning, or suspension of any gaming license or the appointment of a supervisor could (and revocation of any gaming license would) materially adversely affect our gaming operations.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated, and have his or her suitability as a beneficial holder of the voting securities determined if the Nevada Commission has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the State of Nevada. The applicant must pay all costs of investigation incurred by the Nevada Gaming Authorities in conducting any such investigation.

The Nevada Act requires any person who acquires more than 5% of any class of our voting securities to report the acquisition to the Nevada Commission. The Nevada Act requires that beneficial owners of more than 10% of any class of our voting securities apply to the Nevada Commission for a finding of suitability within thirty days after the Chairman of the Nevada Board mails the written notice requiring such filing. Under certain circumstances, an "institutional investor" as defined in the Nevada Act, which acquires more than 10% but not more than 25% of any class of our voting securities, may apply to the Nevada Commission for a waiver of such finding of suitability if such institutional investor holds the voting securities for investment purposes only.

An institutional investor will be deemed to hold voting securities for investment purposes if it acquires and holds the voting securities in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the members of our board of directors, any change in our corporate charter, bylaws, management, policies, or operations or our gaming subsidiary, or any other action that the Nevada Commission finds to be inconsistent with holding our voting securities for investment purposes only. Activities that are not deemed to be inconsistent with holding voting securities for investment purposes only include:

- voting on all matters voted on by stockholders;
- making financial and other inquiries of management of the type normally made by securities analysts for informational purposes and not to cause a change in its management, policies or operations; and
- such other activities as the Nevada Commission may determine to be consistent with such investment intent.

If the beneficial holder of voting securities who must be found suitable is a corporation, limited liability company, partnership, or trust, it must submit detailed business and financial information including a list of beneficial owners. The applicant is required to pay all costs of investigation.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission or the Chairman of the Nevada Board may be found unsuitable. The same restrictions apply to a record owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of our common stock beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a criminal offense. We will be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or our licensed subsidiary, we or the licensed subsidiary:

- pay that person any dividend or interest upon any of our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise; or
- fail to pursue all lawful efforts to require such unsuitable person to relinquish his or her voting securities including if necessary, the immediate purchase of the voting securities for cash at fair market value.

The Nevada Commission may, in its discretion, require the holder of any debt security of Buffalo Wild Wings to file an application, be investigated, and be found suitable to hold the debt security. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Act, we can be sanctioned, including the loss of our approvals, if without the prior approval of the Nevada Commission, we:

- pay to the unsuitable person any dividend, interest, or any distribution whatsoever;
- recognize any voting right by such unsuitable person in connection with such securities;
- pay the unsuitable person remuneration in any form; or
- make any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation or similar transaction.

We are required to maintain a current stock ledger that may be examined by the Nevada Gaming Authorities at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Gaming Authorities. A failure to make such disclosure may be grounds for finding the record holder unsuitable. We are also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power to require our stock certificates to bear a legend indicating that such securities are subject to the Nevada Act. However, to date, the Nevada Commission has not imposed such a requirement on us.

We may not make a public offering of any securities without the prior approval of the Nevada Commission if the securities or the proceeds therefrom are intended to be used to construct, acquire, or finance gaming facilities in Nevada, or to retire or extend obligations incurred for those purposes or for similar purposes. An approval, if given, does not constitute a finding, recommendation, or approval by the Nevada Commission or the Nevada Board as to the accuracy or adequacy of the prospectus or the investment merits of the securities. Any representation to the contrary is unlawful.

Changes in control of Buffalo Wild Wings through merger, consolidation, stock, or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he or she obtains control, may not occur without the prior approval of the Nevada Commission. Entities seeking to acquire control of Buffalo Wild Wings must satisfy the Nevada Board and the Nevada Commission concerning a variety of stringent standards prior to assuming control of us. The Nevada Commission may also require controlling stockholders, officers, directors, and other persons having a material relationship or involvement with the entity proposing to acquire control to be investigated and licensed as part of the approval process relating to the transaction.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities, and corporate defensive tactics affecting Nevada gaming licensees, and registered corporations that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to:

- assure the financial stability of corporate gaming operators and their affiliates;
- preserve the beneficial aspects of conducting business in the corporate form; and
- promote a neutral environment for the orderly governance of corporate affairs.

Approvals are, in certain circumstances, required from the Nevada Commission before we can make exceptional repurchases of voting securities above the current market price and before a corporate acquisition opposed by management can be consummated. The Nevada Act also requires prior approval of a plan of recapitalization proposed by our board of directors in response to a tender offer made directly to our stockholders for the purpose of acquiring control of it.

License fees and taxes are payable to the State of Nevada and to local authorities. Depending upon the particular fee or tax involved, these fees and taxes are payable either monthly, quarterly, or annually and are based upon the number of gaming devices operated. A live entertainment tax is also paid on charges for admission to any facility where certain forms of live entertainment are provided.

If we or our licensed subsidiary were to become involved in gaming ventures outside of Nevada (foreign gaming), a deposit with the Nevada Board would be required and a revolving fund in the amount of \$10,000 to pay the expenses of investigation by the Nevada Board of our participation in such foreign gaming would have to be maintained thereafter. The revolving fund is subject to increase or decrease at the discretion of the Nevada Commission. Thereafter, we or our licensed subsidiary would also be required to comply with certain reporting requirements imposed by the Nevada Act. We or our licensed subsidiary would also be subject to disciplinary action by the Nevada Commission if we or the licensed subsidiary:

- knowingly violate any laws of the foreign jurisdiction pertaining to the foreign gaming operation;
- fail to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations;
- engage in any activity or enter into any association that is unsuitable because it poses an unreasonable threat to the control of gaming in Nevada, reflects or tends to reflect discredit or disrepute upon the State of Nevada or gaming in Nevada, or is contrary to the gaming policies of Nevada;
- engage in any activity or enter into any association that interferes with the ability of the State of Nevada to collect gaming taxes and fees; or
- employ, contract with or associate with any person in the foreign gaming operation who has been denied a license or a finding of suitability in Nevada on the ground of personal unsuitability, or who has been found guilty of cheating at gambling.

The sale of alcoholic beverages by the licensed subsidiary is subject to licensing, control, and regulation by the applicable local authorities. All licenses are revocable and are not transferable. The agencies involved have full power to limit, condition, suspend, or revoke any such license, and any such disciplinary action could (and revocation would) have a material adverse effect upon our operations.

