

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 29, 2020

or

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

For the transition period from to

Commission File Number: 001-35987

NOODLES & COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-1303469

(I.R.S. Employer Identification No.)

520 Zang Street, Suite D

Broomfield, CO

(Address of principal executive offices)

80021

(Zip Code)

(720) 214-1900

(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value per share	NDLS	Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
Yes No

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," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 26, 2020
Class A Common Stock, \$0.01 par value per share	44,371,985 shares

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PART I

Item 1. Financial Statements

Noodles & Company
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	September 29, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,621	\$ 10,459
Accounts receivable	3,366	3,503
Inventories	9,680	9,871
Prepaid expenses and other assets	3,952	5,386
Income tax receivable	76	103
Total current assets	25,695	29,322
Property and equipment, net	123,422	128,867
Operating lease assets, net	202,993	209,717
Goodwill	7,154	7,154
Intangibles, net	840	883
Other assets, net	3,066	2,576
Total long-term assets	337,475	349,197
Total assets	\$ 363,170	\$ 378,519
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 13,138	\$ 9,351
Accrued payroll and benefits	8,369	13,479
Accrued expenses and other current liabilities	13,142	11,679
Current operating lease liabilities	25,357	22,775
Current portion of long-term debt	938	750
Total current liabilities	60,944	58,034
Long-term debt, net	41,213	40,497
Long-term operating lease liabilities, net	219,473	225,014
Deferred tax liabilities, net	272	200
Other long-term liabilities	8,406	4,203
Total liabilities	330,308	327,948
Stockholders' equity:		
Preferred stock—\$0.01 par value, 1,000,000 shares authorized and undesignated as of September 29, 2020 and December 31, 2019; no shares issued or outstanding	—	—
Common stock—\$0.01 par value, 180,000,000 shares authorized as of September 29, 2020 and December 31, 2019; 46,795,534 issued and 44,371,663 outstanding as of September 29, 2020 and 46,557,934 issued and 44,134,063 outstanding as of December 31, 2019	468	466
Treasury stock, at cost, 2,423,871 shares as of September 29, 2020 and December 31, 2019	(35,000)	(35,000)
Additional paid-in capital	202,314	200,585
Accumulated deficit	(134,920)	(115,480)
Total stockholders' equity	32,862	50,571
Total liabilities and stockholders' equity	\$ 363,170	\$ 378,519

See accompanying notes to condensed consolidated financial statements.

Noodles & Company
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data, unaudited)

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
<i>Revenue:</i>				
Restaurant revenue	\$ 104,413	\$ 116,759	\$ 283,150	\$ 344,382
Franchising royalties and fees, and other	1,569	1,545	3,337	4,158
Total revenue	105,982	118,304	286,487	348,540
<i>Costs and expenses:</i>				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	25,900	29,544	71,124	89,083
Labor	31,264	37,951	92,632	113,920
Occupancy	11,737	12,108	35,473	36,849
Other restaurant operating costs	19,383	17,161	51,861	50,475
General and administrative	10,827	10,436	31,415	32,424
Depreciation and amortization	5,541	5,458	16,273	16,626
Pre-opening	239	266	383	331
Restaurant impairments, closure costs and asset disposals	369	336	3,983	3,640
Total costs and expenses	105,260	113,260	303,144	343,348
Income (loss) from operations	722	5,044	(16,657)	5,192
Interest expense, net	822	737	2,710	2,298
(Loss) income before taxes	(100)	4,307	(19,367)	2,894
Provision for income taxes	27	64	73	64
Net (loss) income and comprehensive (loss) income	\$ (127)	\$ 4,243	\$ (19,440)	\$ 2,830
<i>(Loss) earnings per Class A and Class B common stock, combined</i>				
Basic	\$ —	\$ 0.10	\$ (0.44)	\$ 0.06
Diluted	\$ —	\$ 0.09	\$ (0.44)	\$ 0.06
<i>Weighted average shares of Class A and Class B common stock outstanding, combined:</i>				
Basic	44,358,763	43,990,049	44,238,400	44,007,345
Diluted	44,358,763	44,899,176	44,238,400	45,078,539

See accompanying notes to condensed consolidated financial statements.

Noodles & Company
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share data, unaudited)

	Fiscal Quarter Ended						
	Common Stock ⁽¹⁾		Treasury		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance—June 30, 2020	46,778,682	\$ 468	2,423,871	\$ (35,000)	\$ 201,601	\$ (134,793)	\$ 32,276
Stock plan transactions and other	16,852	—	—	—	49	—	49
Stock-based compensation expense	—	—	—	—	664	—	664
Net loss	—	—	—	—	—	(127)	(127)
Balance—September 29, 2020	46,795,534	\$ 468	2,423,871	\$ (35,000)	\$ 202,314	\$ (134,920)	\$ 32,862
Balance—July 2, 2019	46,508,586	\$ 465	2,423,871	\$ (35,000)	\$ 199,978	\$ (118,540)	\$ 46,903
Stock plan transactions and other	37,406	—	—	—	(49)	—	(49)
Stock-based compensation expense	—	—	—	—	(51)	—	(51)
Net income	—	—	—	—	—	4,243	4,243
Balance—October 1, 2019	46,545,992	\$ 465	2,423,871	\$ (35,000)	\$ 199,878	\$ (114,297)	\$ 51,046
	Three Fiscal Quarters Ended						
	Common Stock ⁽¹⁾		Treasury		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance—December 31, 2019	46,557,934	\$ 466	2,423,871	\$ (35,000)	\$ 200,585	\$ (115,480)	\$ 50,571
Stock plan transactions and other	237,600	2	—	—	(225)	—	(223)
Stock-based compensation expense	—	—	—	—	1,954	—	1,954
Net loss	—	—	—	—	—	(19,440)	(19,440)
Balance—September 29, 2020	46,795,534	\$ 468	2,423,871	\$ (35,000)	\$ 202,314	\$ (134,920)	\$ 32,862
Balance—January 1, 2019	46,353,309	\$ 464	2,423,871	\$ (35,000)	\$ 198,352	\$ (111,135)	\$ 52,681
Stock plan transactions and other	192,683	1	—	—	(285)	—	(284)
Stock-based compensation expense	—	—	—	—	1,811	—	1,811
Adoption of ASU No. 2016-02, <i>Leases</i> (Topic 842)	—	—	—	—	—	(5,992)	(5,992)
Net income	—	—	—	—	—	2,830	2,830
Balance—October 1, 2019	46,545,992	\$ 465	2,423,871	\$ (35,000)	\$ 199,878	\$ (114,297)	\$ 51,046

(1) Unless otherwise noted, activity relates to Class A common stock.

See accompanying notes to condensed consolidated financial statements.

Noodles & Company
Condensed Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019
Operating activities		
Net (loss) income	\$ (19,440)	\$ 2,830
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	16,273	16,626
Deferred income taxes	72	64
Restaurant impairments, closure costs and asset disposals	3,034	3,647
Amortization of debt issuance costs	260	374
Stock-based compensation	1,904	1,780
Changes in operating assets and liabilities:		
Accounts receivable	230	122
Inventories	75	(349)
Prepaid expenses and other assets	(802)	(1,062)
Accounts payable	3,505	(864)
Income taxes	27	(6)
Operating lease assets and liabilities	4,034	(1,749)
Accrued expenses and other liabilities	(858)	(5,144)
Net cash provided by operating activities	<u>8,314</u>	<u>16,269</u>
Investing activities		
Purchases of property and equipment	(9,887)	(13,788)
Proceeds from disposal of property and equipment	—	352
Franchise restaurant acquisition, net of cash acquired	—	(1,387)
Net cash used in investing activities	<u>(9,887)</u>	<u>(14,823)</u>
Financing activities		
Proceeds from issuance of long-term debt	55,500	—
Payments on long-term debt	(54,125)	(2,188)
Payments on finance leases	(686)	(543)
Debt issuance costs	(731)	—
Stock plan transactions and tax withholding on share-based compensation awards	(223)	(284)
Net cash used in financing activities	<u>(265)</u>	<u>(3,015)</u>
Net decrease in cash and cash equivalents	<u>(1,838)</u>	<u>(1,569)</u>
Cash and cash equivalents		
Beginning of period	10,459	4,655
End of period	<u>\$ 8,621</u>	<u>\$ 3,086</u>

See accompanying notes to condensed consolidated financial statements.

NOODLES & COMPANY
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Business Summary and Basis of Presentation

Business

Noodles & Company (the “Company”), a Delaware corporation, develops and operates fast casual restaurants that serve globally inspired noodle and pasta dishes, soups, salads and appetizers. As of September 29, 2020, the Company had 454 restaurants system-wide in 29 states, comprised of 378 company-owned restaurants and 76 franchise restaurants. The Company operates its business as one operating and reportable segment.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Noodles & Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying interim unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements. In the opinion of the Company, all adjustments considered necessary for the fair presentation of the Company’s results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements on Form 10-K have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2019 was derived from audited financial statements. These financial statements should be read in conjunction with the audited financial statements and the related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Certain prior period balances within Note 7, Restaurant Impairments, Closure Costs and Asset Disposals have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the Company’s net income, earnings per share or accumulated deficit previously reported.

Fiscal Year

The Company operates on a 52- or 53-week fiscal year ending on the Tuesday closest to December 31. The Company’s fiscal quarters each contain 13 operating weeks, with the exception of the fourth quarter of a 53-week fiscal year, which contains 14 operating weeks. Fiscal year 2020, which ends on December 29, 2020, and fiscal year 2019, which ended on December 31, 2019, both contain 52 weeks. The Company’s fiscal quarter that ended September 29, 2020 is referred to as the third quarter of 2020, and the fiscal quarter ended October 1, 2019 is referred to as the third quarter of 2019.

Risks and Uncertainties

We are subject to risks and uncertainties as a result of the ongoing COVID-19 pandemic. The extent of the future impact of the COVID-19 pandemic on the Company’s business is uncertain and difficult to predict. Our operational and financial performance will depend on future developments, including the duration of the outbreak, limitations imposed by federal, state and local governments with respect to reduced seating capacity in our restaurants and other social distancing measures, and our customers’ future willingness to eat at restaurants. Furthermore, several industries have been negatively impacted by the COVID-19 pandemic, and it is possible that it could cause an extended economic recession. All of the effects of the COVID-19 pandemic could have a material adverse effect on our business. Although the ultimate severity of the COVID-19 pandemic is uncertain at this time, we have implemented several new initiatives to adapt our operations to the current environment, including direct delivery and curbside pickup, to further bolster our existing off premise capabilities.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). ASU 2019-12 was issued as a means to reduce the complexity of accounting for income taxes for

those entities that fall within the scope of the accounting standard. This guidance is effective for public companies for annual reporting periods beginning after December 15, 2020 and interim periods within those reporting periods. Interim period adoption is permitted. The guidance is to be applied using a prospective method, excluding amendments related to franchise taxes, which should be applied on either a retrospective basis for all periods presented or a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. We do not believe that there will be a material impact of adopting the new guidance on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, followed by other related ASUs that provided targeted improvements (collectively “ASU 2016-13”). ASU 2016-13 provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The guidance is to be applied using a modified retrospective method and is effective for fiscal years beginning after December 15, 2022 for smaller reporting companies, with early adoption permitted. The Company early adopted ASU 2016-13 on January 1, 2020. The adoption of ASU 2016-13 did not result in any impact to the Company’s consolidated financial statements or disclosures.

2. Supplemental Financial Information

Accounts receivable consist of the following (in thousands):

	September 29, 2020	December 31, 2019
Delivery program receivables	\$ 1,784	\$ 636
Insurance receivable	157	744
Vendor rebate receivables	611	788
Franchise receivables	517	527
Other receivables	297	808
	<u>\$ 3,366</u>	<u>\$ 3,503</u>

Prepaid expenses and other assets consist of the following (in thousands):

	September 29, 2020	December 31, 2019
Prepaid insurance	\$ 1,189	\$ 724
Prepaid occupancy related costs	863	834
Other prepaid expenses	1,861	2,075
Other current assets ⁽¹⁾	39	1,753
	<u>\$ 3,952</u>	<u>\$ 5,386</u>

(1) Other current assets as of December 31, 2019 included assets held in connection with the divestiture of nine company-owned restaurants to a franchisee (“RCRG Sale”) which closed in January 2020.

Property and equipment, net, consists of the following (in thousands):

	September 29, 2020	December 31, 2019
Leasehold improvements	\$ 199,649	\$ 200,580
Furniture, fixtures and equipment	125,779	122,752
Construction in progress	6,403	2,890
	331,831	326,222
Accumulated depreciation and amortization	(208,409)	(197,355)
Property and equipment, net	\$ 123,422	\$ 128,867

Accrued payroll and benefits consist of the following (in thousands):

	September 29, 2020	December 31, 2019
Accrued payroll and related liabilities	\$ 3,248	\$ 6,364
Accrued bonus	1,455	3,505
Insurance liabilities	3,666	3,610
	\$ 8,369	\$ 13,479

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 29, 2020	December 31, 2019
Gift card liability	\$ 1,862	\$ 2,398
Occupancy related	1,581	1,458
Utilities	1,212	1,379
Deferred revenue	2,046	555
Current portion of finance lease liability	1,059	510
Other accrued expenses	5,382	5,379
Accrued expenses and other current liabilities	\$ 13,142	\$ 11,679

3. Long-Term Debt

On May 9, 2018, the Company entered into a credit facility with U.S. Bank National Association (the “2018 Credit Facility”). The 2018 Credit Facility consisted of a term loan facility in an aggregate principal amount of \$25.0 million and a revolving credit facility of \$65.0 million, which included a letter of credit subfacility in the amount of \$15.0 million and a swingline subfacility in the amount of \$10.0 million.

On November 20, 2019, the Company amended its 2018 Credit Facility by entering into the First Amendment to the Credit Facility (the “Amendment” or “First Amended Credit Facility”). Among other things, the Amendment: (i) extended the maturity date to November 20, 2024; (ii) increased the revolving credit facility from \$65.0 million to \$75.0 million; (iii) delayed step downs of the Company’s leverage covenant; and (iv) increased the limit on capital expenditures to \$37.0 million in 2020 and to \$45.0 million in 2021 and each fiscal year thereafter.

Borrowings under the First Amended Credit Facility, including the term loan facility, bear interest annually, at the Company’s option, at either (i) LIBOR plus a margin of 2.00% to 2.75% per annum, based upon the consolidated total lease-adjusted leverage ratio or (ii) the highest of the following base rates plus a margin of 1.00% to 1.75% per annum: (a) the federal funds rate plus 0.50%; (b) the U.S. Bank prime rate or (c) the one-month LIBOR plus 1.00%. The Amendment includes a commitment fee of 0.20% to 0.35% per annum, based upon the consolidated total lease-adjusted leverage ratio, on any unused portion of the revolving credit facility.

On June 16, 2020 (the “Effective Date”), the Company amended its 2018 Credit Facility by entering into the Second Amendment to the Credit Facility (the “Second Amendment” or the “Second Amended Credit Facility”). Beginning on the Effective Date and through the third quarter of 2021 (the “Amendment Period”), borrowings under the Second Amended Credit Facility, including the term loan facility (“Borrowings”), will bear interest at LIBOR plus 3.25% per annum. Following the Amendment Period, borrowings will bear interest at LIBOR plus a margin of 2.00% to 3.00% per annum, based upon the consolidated total lease-adjusted leverage ratio. Among other things, the Second Amendment (i) waives the lease-adjusted leverage ratio and fixed charge ratio covenants through the first quarter of 2021; (ii) amends the Company’s lease-adjusted leverage ratio and fixed coverage ratio covenant thresholds beginning in the second quarter of 2021 through the third quarter of 2022 and the first quarter of 2022, respectively and (iii) limits capital expenditures to \$12.0 million in 2020, \$12.0 million plus a liquidity-based performance basket up to an additional \$12.0 million in 2021, \$34.0 million in 2022, \$37.0 million in 2023 and \$45.0 million annually thereafter.

As of September 29, 2020, the Company had \$44.0 million of indebtedness (excluding \$1.8 million of unamortized debt issuance costs) and \$3.2 million of letters of credit outstanding under the Second Amended Credit Facility. As of September 29, 2020, the Company had cash on hand of \$8.6 million.

The term loan requires principal payments of \$187,500 per quarter through the third quarter of 2021, \$375,000 per quarter through the third quarter of 2022, \$531,250 per quarter through the third quarter of 2023 and \$625,000 per quarter thereafter through maturity.

Aggregate maturities for debt outstanding as of September 29, 2020 are as follows (in thousands):

Year 1	\$	938
Year 2		1,500
Year 3		2,125
Year 4		2,500
Year 5		36,930
Total	\$	<u>43,993</u>

The Company’s outstanding indebtedness bore interest at rates between 3.07% to 6.25% during the first three quarters of 2020.

The Company also maintains outstanding letters of credit to secure obligations under its workers’ compensation program and certain lease obligations. The Company was in compliance with all of its debt covenants as of September 29, 2020.

4. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current liabilities approximate their fair values due to their short-term nature. The carrying amounts of borrowings approximate fair value as the line of credit and term borrowings vary with market interest rates and negotiated terms and conditions are consistent with current market rates. The fair value of the Company’s line of credit and term borrowings are measured using Level 2 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets recognized or disclosed at fair value in the condensed consolidated financial statements on a non-recurring basis include items such as leasehold improvements, property and equipment, operating lease assets, goodwill and other intangible assets. These assets are measured at fair value if determined to be impaired or when acquired.

Adjustments to the fair value of assets measured at fair value on a non-recurring basis as of September 29, 2020 and October 1, 2019 are discussed in Note 7, Restaurant Impairments, Closure Costs and Asset Disposals.

5. Income Taxes

The following table presents the Company’s provision for income taxes (in thousands):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
Provision for income taxes	\$ 27	\$ 64	\$ 73	\$ 64
Effective tax rate	(27.0)%	1.5 %	(0.4)%	2.2 %

The effective tax rate for the third quarter of 2020 and first three quarters of 2020 reflects the impact of the previously recorded valuation allowance. For the remainder of fiscal 2020, the Company does not anticipate material income tax expense or benefit as a result of the valuation allowance recorded. The Company will maintain the valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which provides economic relief in response to the COVID-19 pandemic, was signed into law. The CARES Act includes provisions that permit refunds of alternative minimum tax credits, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property (“QIP”). We do not expect that the provisions in the CARES Act will have a material impact to our tax rate or expense during 2020.

6. Stock-Based Compensation

The Company’s Stock Incentive Plan (the “Plan”), as amended and restated in May of 2013, authorizes the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”), performance share units (“PSUs”) and incentive bonuses to employees, officers, non-employee directors and other service providers. As of September 29, 2020, approximately 2.9 million share-based awards were available to be granted under the Plan.

The following table shows total stock-based compensation expense (in thousands):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
Stock-based compensation expense	\$ 708	\$ (61)	\$ 1,960	\$ 1,820
Capitalized stock-based compensation expense	\$ 12	\$ 11	\$ 50	\$ 32

Stock-based compensation expense for the third quarter of 2019 included a credit due to the departure of our former Executive Chairman.

7. Restaurant Impairments, Closure Costs and Asset Disposals

The following table presents restaurant impairments, closure costs and asset disposals (in thousands):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
Restaurant impairments ⁽¹⁾	\$ 113	\$ 89	\$ 2,375	\$ 2,554
Closure costs ⁽¹⁾	(168)	(809)	345	(675)
Loss on disposal of assets and other	424	1,056	1,263	1,761
	\$ 369	\$ 336	\$ 3,983	\$ 3,640

(1) Restaurant impairments and closure costs in all periods presented above include amounts related to restaurants previously impaired or closed.

There were no restaurant impairments during the third quarters of 2020 and 2019. During the first three quarters of 2020, five restaurants were impaired compared to two restaurant impairments in the first three quarters of 2019. Impairment is based on management’s current assessment of the expected future cash flows of a restaurant based on recent results and other specific market factors. Impairment expense is a Level 3 fair value measure and is determined by comparing the carrying value of restaurant assets to the estimated fair value of the restaurant assets at resale value and the right-of-use asset based on a discounted cash flow analysis utilizing market lease rates. The Company will continue to monitor the impact from the

COVID-19 pandemic as it relates to recoverability of long-lived assets. Although we have seen an improvement in sales, we are unable to predict how long these conditions will persist, what additional measures may be introduced by governments or what effect any such additional measures may have on restaurants and our business. Any measure that encourages consumers to stay in their homes, engage in social distancing or avoid larger gatherings of people for an extended period of time is highly likely to be harmful to the restaurant industry in general.

Closure costs in the third quarter and first three quarters of 2020 and 2019 include ongoing costs related to restaurants closed in previous years as well as three company-owned restaurants closed during the third quarter of 2020 that were near the end of the lease term. In addition, closure costs were offset by gains resulting from adjustments to liabilities as lease terminations occur. These gains included a total of \$0.6 million in the third quarter and first three quarters of 2020, and \$0.8 million and \$0.7 million during the third quarter and first three quarters of 2019, respectively.

Loss on disposal of assets and other includes expenses recognized during the first three quarters of 2020 and 2019 related to the divestiture of company-owned restaurants to a franchisee.

These expenses are included in the “Restaurant impairments, closure costs and asset disposals” line in the Condensed Consolidated Statements of Operations.

8. Earnings (Loss) Per Share

Basic earnings (loss) per share (“EPS”) is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted EPS is calculated using net income (loss) available to common stockholders divided by diluted weighted-average shares of common stock outstanding during each period. Potentially dilutive securities include shares of common stock underlying stock options, warrants and RSUs. Diluted EPS considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect.

The following table sets forth the computations of basic and diluted EPS (in thousands, except share and per share data):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
Net (loss) income	\$ (127)	\$ 4,243	\$ (19,440)	\$ 2,830
Shares:				
Basic weighted average shares outstanding	44,358,763	43,990,049	44,238,400	44,007,345
Effect of dilutive securities	—	909,127	—	1,071,194
Diluted weighted average shares outstanding	44,358,763	44,899,176	44,238,400	45,078,539
(Loss) earnings per share:				
Basic (loss) earnings per share	\$ —	\$ 0.10	\$ (0.44)	\$ 0.06
Diluted (loss) earnings per share	\$ —	\$ 0.09	\$ (0.44)	\$ 0.06

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. Potential common shares are excluded from the computation of diluted earnings per share when the effect would be anti-dilutive. The shares issuable on the vesting or exercise of share-based awards or exercise of outstanding warrants that were excluded from the calculation of diluted earnings (loss) per share because the effect of their inclusion would have been anti-dilutive totaled 3,107,448 and 1,748,444 for the third quarters of 2020 and 2019, respectively, and totaled 3,251,799 and 1,490,202 for the first three quarters of 2020 and 2019, respectively.

9. Leases

As discussed in Note 1, Business Summary and Basis of Presentation, the onset of the COVID-19 pandemic impacted us significantly, including causing us to close all of our dining rooms starting in March 2020. We commenced reopening a portion of our dining rooms in June of 2020 and as of September 29, 2020, over 90% of our restaurant dining rooms are open. During the second and third quarters of 2020, we were able to negotiate with the majority of our landlords to obtain rent abatements, defer rent amounts due during the second quarter, or in some cases, extend the period of the respective lease term. In the case where the lease term was extended, we remeasured the remaining consideration in the contract. The total rent that was deferred for lease amendments that have been executed through September 29, 2020 was \$4.2 million.

Further, for certain of our restaurants, the COVID-19 pandemic has had an impact to the underlying asset values. In the second quarter of 2020, we recorded right-of-use asset impairment charges of \$0.3 million to reduce the carrying value of certain operating lease assets to their respective estimated fair value. There was no impairment during the third quarter of 2020.

Supplemental balance sheet information related to leases is as follows (in thousands):

Classification		September 29, 2020	December 31, 2019
Assets			
Operating	Operating lease assets, net	\$ 202,993	\$ 209,717
Finance	Finance lease assets, net ⁽¹⁾	3,308	771
Total leased assets		<u>\$ 206,301</u>	<u>\$ 210,488</u>
Liabilities			
Current lease liabilities			
Operating	Current operating lease liabilities	\$ 25,357	\$ 22,775
Finance	Current finance lease liabilities ⁽²⁾	1,059	510
Long-term lease liabilities			
Operating	Long-term operating lease liabilities	219,473	225,014
Finance	Long-term finance lease liabilities ⁽²⁾	2,309	281
Total lease liabilities		<u>\$ 248,198</u>	<u>\$ 248,580</u>

(1) The finance lease assets are included in property and equipment, net in the Condensed Consolidated Balance Sheets.

(2) The current portion of the finance lease liabilities is included in accrued expenses and other current liabilities, and the long-term portion was included in other long-term liabilities in the Condensed Consolidated Balance Sheets.

Sublease income recognized in the Condensed Consolidated Statements of Operations was \$0.2 million for both the third quarter of 2020 and 2019, and \$0.7 million and \$0.4 million for the first three quarters of 2020 and 2019, respectively.

Supplemental disclosures of cash flow information related to leases are as follows (in thousands):

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
Cash paid for lease liabilities:				
Operating leases	\$ 14,784	\$ 10,795	\$ 28,358	\$ 32,301
Finance leases	324	223	776	600
	<u>\$ 15,108</u>	<u>\$ 11,018</u>	<u>\$ 29,134</u>	<u>\$ 32,901</u>
Right-of-use assets obtained in exchange for lease liabilities:				
Operating leases	\$ 108	\$ 2,646	\$ 10,388	\$ 7,856
Finance leases	545	—	3,387	229
	<u>\$ 653</u>	<u>\$ 2,646</u>	<u>\$ 13,775</u>	<u>\$ 8,085</u>

10. Supplemental Disclosures to Condensed Consolidated Statements of Cash Flows

The following table presents the supplemental disclosures to the Condensed Consolidated Statements of Cash Flows for the three quarters ended September 29, 2020 and October 1, 2019 (in thousands):

	September 29, 2020	October 1, 2019
Interest paid (net of amounts capitalized)	\$ 1,902	\$ 1,972
Income taxes (refunded) paid	(78)	6
Purchases of property and equipment accrued in accounts payable	2,818	2,538

11. Revenue Recognition

Revenue

Revenue consists of sales from restaurant operations, franchise royalties and fees, and sublease income. Revenue from the operation of company-owned restaurants is recognized when sales occur. The Company reports revenue net of sales tax collected from customers and remitted to governmental taxing authorities.

Gift Cards

The Company sells gift cards which do not have an expiration date, and it does not deduct non-usage fees from outstanding gift card balances. The Company recognizes revenue from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote (“gift card breakage”). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company has determined that approximately 9% of gift cards will not be redeemed and recognizes gift card breakage ratably over the estimated redemption period of the gift card, which is approximately 24 months. Gift card liability balances are typically highest at the end of each calendar year following increased gift card purchases during the holiday season.

As of September 29, 2020 and December 31, 2019, the current portion of the gift card liability, \$1.9 million and \$2.4 million, respectively, was included in accrued expenses and other current liabilities, and the long-term portion, \$0.5 million and \$0.9 million, respectively, was included in other long-term liabilities in the Condensed Consolidated Balance Sheets.

Revenue recognized in the Condensed Consolidated Statements of Operations for the redemption of gift cards was \$2.8 million and \$4.1 million for the first three quarters of 2020 and 2019, respectively.

Franchise Fees

Royalties from franchise restaurants are based on a percentage of restaurant revenues and are recognized in the period the related franchised restaurants’ sales occur. In the second quarter of 2020, we forgave the franchise royalties due for the quarter due to the impact of the COVID-19 pandemic. In the third quarter of 2020, we resumed recognizing franchise royalty revenue and cash collection. Development fees and franchise fees, portions of which are collected in advance, are nonrefundable and are recognized in income ratably over the term of the related franchise agreement or recognized upon the termination of the agreement between the Company and the franchisee. The Company has determined that the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 20 years.

Loyalty Program

The Company operates the Noodles Rewards program, which is primarily a spend-based loyalty program. With each purchase, Noodles Rewards members earn loyalty points that can be redeemed for rewards, including free products. Using an estimate of the value of reward redemptions, we defer revenue associated with points earned, net of estimated points that will not be redeemed. Points generally expire after six months. Revenue is recognized in a future period when the reward points are redeemed. As of September 29, 2020 and December 31, 2019, the deferred revenue related to the rewards was \$2.0 million and \$0.6 million, respectively, and was included in accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets.

12. Commitments and Contingencies

In the normal course of business, the Company is subject to other proceedings, lawsuits and claims. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 29, 2020. These matters could affect the operating results of any one financial reporting period when resolved in future periods. The Company believes that an unfavorable outcome with respect to these matters is remote or a potential range of loss is not material to its consolidated financial statements. Significant increases in the number of these claims, or one or more successful claims that result in greater liabilities than the Company currently anticipates, could materially and adversely affect its business, financial condition, results of operations or cash flows.

NOODLES & COMPANY
MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Noodles & Company is a Delaware corporation that was organized in 2002. Noodles & Company and its subsidiaries are sometimes referred to as “we,” “us,” “our” and the “Company” in this report. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019. We operate on a 52- or 53-week fiscal year ending on the Tuesday closest to December 31. Our fiscal quarters each contain 13 operating weeks, with the exception of the fourth quarter of a 53-week fiscal year, which contains 14 operating weeks. Fiscal years 2020 and 2019 each contain 52 weeks.

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties such as the number of restaurants we intend to open, projected capital expenditures and estimates of our effective tax rates. In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “design,” “estimate,” “predict,” “potential,” “plan” or the negative of these terms and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on currently available operating, financial and competitive information. Examples of forward-looking statements include all matters that are not historical facts, such as statements regarding our ability to navigate the COVID-19 pandemic, projected capital expenditures, the revenue and balance sheet impact of the COVID-19 pandemic, estimated costs associated with our closure of underperforming restaurants, the implementation and results of strategic initiatives and our future financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements due to reasons including, but not limited to, the extent, duration and severity of the COVID-19 pandemic; governmental and customer response to the COVID-19 pandemic; other conditions beyond our control such as weather, natural disasters, disease outbreaks, epidemics or pandemics impacting our customers or food supplies; consumer reaction to industry related public health issues and health pandemics and perceptions of food safety, our ability to achieve and maintain increases in comparable restaurant sales and to successfully execute our business strategy, including new restaurant initiatives and operational strategies to improve the performance of our restaurant portfolio; our ability to maintain compliance with debt covenants and continue to access financing necessary to execute our business strategy; the success of our marketing efforts; our ability to open new restaurants on schedule; current economic conditions; price and availability of commodities; our ability to adequately staff our restaurants; changes in labor costs; consumer confidence and spending patterns; seasonal factors; and those discussed in “Special Note Regarding Forward-Looking Statements” and “Risk Factors” as filed in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019 and in our Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020.

Impact of COVID-19 Pandemic on Our Business

The onset of the COVID-19 pandemic resulted in significant disruption to the restaurant industry and adversely affected our business. Comparable sales have meaningfully and progressively improved since the beginning of the COVID-19 pandemic as our business was well-positioned for the transition to largely off-premise dining that has resulted from the outbreak. The shifting demand pattern towards our off-premise offerings, including delivery, has caused a reduction in our restaurant level margins due primarily to higher delivery fees, partially offset by improved efficiencies throughout the balance of our expense profile.

As of the date of this filing, significant uncertainty exists concerning the magnitude of the impact and the duration of the COVID-19 pandemic. As of the date of this filing, substantially all of our restaurants continue to operate, and dining rooms are open in over 85% of our company-owned locations. While we cannot predict the extent to which the COVID-19 pandemic will impact our business, we intend to continue to actively monitor the evolving situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our team members, customers, suppliers and shareholders.

Recent Trends, Risks and Uncertainties

Comparable Restaurant Sales. In the third quarter of 2020, system-wide comparable restaurant sales decreased 3.8%, comprised of a 3.6% decrease for company-owned restaurants and a 5.0% decrease for franchise restaurants.

Recent restaurant openings not in the Company's comparable restaurant base, many of which offer order ahead drive-thru pick-up windows, continue to perform at the highest sales level of any class of new restaurants in the Company's history. In October of 2020, the Company opened two company-owned restaurants, including one restaurant that has broken the Company's record for sales during their initial 7, 14 and 21 days of operation.

The cadence of comparable restaurant sales and average unit volumes during the third quarter of 2020 are as set forth below. Company-owned restaurants were closed on July 4 and 5, 2020 in appreciation of our teams' efforts during the COVID-19 pandemic. All restaurants were open during that time frame in 2019, negatively impacting comparable restaurant sales during the same period in 2020:

Comparable Restaurant Sales	4 Weeks Ended July 28, 2020⁽¹⁾	4 Weeks Ended August 25, 2020	5 Weeks Ended September 29, 2020
Company-owned	(8.4)%	(4.6)%	1.1%
Franchise	(7.2)%	(5.1)%	(3.2)%
System-wide	(8.2)%	(4.7)%	0.4%
Average Unit Volumes (000's)	\$1,181	\$1,212	\$1,172

⁽¹⁾ Company-owned restaurants were closed July 4 and July 5, 2020.

We believe our return to positive comparable sales for the five weeks ended September 29, 2020, aided by impressive digital growth, is evidence of our strong brand positioning and ability to meet the needs of today's consumer for great tasting healthy food served conveniently where and when guests want it. However, our ability to retain positive comparable sales depends, among other reasons, on (i) the duration of the COVID-19 pandemic, (ii) limitations imposed by federal, state and local governments with respect to reduced seating capacity in our restaurants and other social distancing measures, (iii) our customers' future willingness to eat at restaurants and (iv) macroeconomic conditions and the length of time required for the national and local economies to achieve economic recovery following the crisis.

Cost of Sales. As a result of the COVID-19 pandemic, we have and expect to continue to incur incremental costs of sales, including the use of additional packaging supplies to support the continued increase in to go and off premise orders. Despite the increased packaging costs, we have continued to work with our suppliers for ongoing supply chain savings resulting in lower cost of sales. To date, there has been minimal disruption to our supply chain network, including the supply of our ingredients, packaging or other sourced materials, though it is possible that more significant disruptions could occur if the COVID-19 pandemic continues to impact the markets in which we operate. We are working closely with our distributors and contract manufacturers as the situation evolves. We intend to continue to actively monitor the situation, including the status of our supply chain, to determine the appropriate actions to minimize any supply chain interruptions.

Labor Costs. In the first three quarters of 2020, we were able to mitigate the impact of increased base labor costs through labor efficiencies such as our procedures around optimizing food preparation times. Additionally, with the increased adoption of digital ordering from our customers, we modified our labor model to reduce the number of front of house hours in our restaurants. Some jurisdictions in which we operate have recently increased their minimum wage and other jurisdictions are considering similar actions. Significant additional government-imposed increases could materially affect our labor costs.

Certain Restaurant Closures. We permanently closed four company-owned restaurants in the first three quarters of 2020. We currently do not anticipate a significant number of permanent restaurant closures in the foreseeable future; however, we may from time to time permanently close certain restaurants, including permanent closures at, or near, the expiration of the leases for these restaurants.

Restaurant Development. In the first three quarters of 2020, we opened two new company-owned restaurants. Subsequent to the third quarter of 2020, we opened two additional company-owned restaurants. As of September 29, 2020, we had 378 company-owned restaurants and 76 franchise restaurants in 29 states. Given the Company's sales recovery in recent months, as well as an anticipated increase in favorable real estate availability, we expect to incorporate increased unit development into our strategic growth plan for 2021 and beyond.

Key Measures We Use to Evaluate Our Performance

To evaluate the performance of our business, we utilize a variety of financial and performance measures. These key measures include revenue, average unit volume (“AUV”), comparable restaurant sales, restaurant contribution, restaurant contribution margin, EBITDA and adjusted EBITDA.

Revenue

Restaurant revenue represents sales of food and beverages in company-owned restaurants. Several factors affect our restaurant revenue in any period, including the number of restaurants in operation and per-restaurant sales. Franchise royalties and fees represent royalty income and initial franchise fees. While we expect that the majority of our revenue and net income growth will be driven by company-owned restaurants, our franchise restaurants remain an important factor impacting our revenue and financial performance.

Seasonal factors cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters, due to reduced winter and holiday traffic, and is typically higher in the second and third quarters. As a result of these factors, as well as the magnitude of the COVID-19 pandemic on any given quarter, our quarterly operating results and comparable restaurant sales may fluctuate significantly.

Average Unit Volume

AUV consists of the average annualized sales of all restaurants for a given time period. AUV is calculated by dividing restaurant revenue by the number of operating days within each time period and multiplying by the number of operating days we have in a typical year. This measurement allows management to assess changes in revenue patterns at our restaurants.

Comparable Restaurant Sales

Comparable restaurant sales refer to year-over-year sales comparisons for the comparable restaurant base. We define the comparable restaurant base to include restaurants open for at least 18 full periods. This measure highlights performance of existing restaurants, as the impact of new restaurant openings is excluded. Changes in comparable restaurant sales are generated by changes in traffic, which we calculate as the number of entrées sold, or changes in per-person spend, calculated as sales divided by traffic. Per-person spend can be influenced by changes in menu prices and the mix and number of items sold per person.

Measuring our comparable restaurant sales allows us to evaluate the performance of our existing restaurant base. Various factors impact comparable restaurant sales, including:

- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet consumer expectations;
- pricing;
- the number of restaurant transactions, per-person spend and average check amount;
- marketing and promotional efforts;
- abnormal weather patterns;
- food safety and foodborne illness concerns;
- the impact of the COVID-19 pandemic;
- local competition;
- trade area dynamics;

- introduction of new and seasonal menu items and limited time offerings; and
- opening new restaurants in the vicinity of existing locations.

Consistent with common industry practice, we present comparable restaurant sales on a calendar-adjusted basis that aligns current year sales weeks with comparable periods in the prior year, regardless of whether they belong to the same fiscal period or not. Since opening new company-owned and franchise restaurants is a part of our long-term growth strategy and we anticipate new restaurants will be a component of our long-term revenue growth, comparable restaurant sales is only one measure of how we evaluate our performance.

Restaurant Contribution and Restaurant Contribution Margin

Restaurant contribution represents restaurant revenue less restaurant operating costs which are cost of sales, labor, occupancy and other restaurant operating costs. Restaurant contribution margin represents restaurant contribution as a percentage of restaurant revenue. We expect restaurant contribution to increase in proportion to the number of new restaurants we open and our comparable restaurant sales growth.

We believe that restaurant contribution and restaurant contribution margin are important tools for investors and other interested parties because they are widely-used metrics within the restaurant industry to evaluate restaurant-level productivity, efficiency and performance. We also use restaurant contribution and restaurant contribution margin as metrics to evaluate the profitability of incremental sales at our restaurants, restaurant performance across periods and restaurant financial performance compared with competitors. Restaurant contribution and restaurant contribution margin are supplemental measures of the operating performance of our restaurants and are not reflective of the underlying performance of our business because corporate-level expenses are excluded from these measures.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) before interest expense, provision (benefit) for income taxes and depreciation and amortization. We define adjusted EBITDA as net income (loss) before interest expense, provision (benefit) for income taxes, depreciation and amortization, restaurant impairments, closure costs and asset disposals, acquisition costs, severance costs and stock-based compensation expense.

We believe that EBITDA and adjusted EBITDA provide clear pictures of our operating results by eliminating certain non-recurring and non-cash expenses that may vary widely from period to period and are not reflective of the underlying business performance.

The presentation of restaurant contribution, restaurant contribution margin, EBITDA and adjusted EBITDA is not intended to be considered in isolation or as a substitute for, or to be superior to, the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information to management and investors about operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

Results of Operations

The following table presents a reconciliation of net (loss) income to EBITDA and adjusted EBITDA:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
	(in thousands, unaudited)			
Net (loss) income	\$ (127)	\$ 4,243	\$ (19,440)	\$ 2,830
Depreciation and amortization	5,541	5,458	16,273	16,626
Interest expense, net	822	737	2,710	2,298
Provision for income taxes	27	64	73	64
EBITDA	\$ 6,263	\$ 10,502	\$ (384)	\$ 21,818
Restaurant impairments, closure costs and asset disposals ⁽¹⁾	369	336	3,983	3,640
Stock-based compensation expense	708	(61)	1,960	1,820
Fees and costs related to transactions and other acquisition/disposition costs	—	130	162	166
Severance costs	365	112	454	112
Adjusted EBITDA	\$ 7,705	\$ 11,019	\$ 6,175	\$ 27,556

(1) Restaurant impairments and closure costs in all periods presented above include amounts related to restaurants previously impaired or closed. See Note 7, Restaurant Impairments, Closure Costs and Asset Disposals.

Restaurant Openings, Closures and Relocations

The following table shows restaurants opened or closed during the periods indicated:

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
Company-Owned Restaurant Activity				
Beginning of period	380	395	389	394
Openings	1	3	2	3
Acquisition ⁽¹⁾	—	—	—	1
Closures	(3)	(2)	(4)	(2)
Divestitures ⁽²⁾	—	(5)	(9)	(5)
Restaurants at end of period	378	391	378	391
Franchise Restaurant Activity				
Beginning of period	76	62	68	65
Openings	—	—	—	—
Acquisitions ⁽²⁾	—	5	9	5
Closures	—	—	(1)	(2)
Divestiture ⁽¹⁾	—	—	—	(1)
Restaurants at end of period	76	67	76	67
Total restaurants	454	458	454	458

(1) Represents one franchise restaurant acquired by us.

(2) Represents nine company-owned restaurants sold to a franchisee in 2020 and five company-owned restaurants sold to a franchisee in 2019.

Statement of Operations as a Percentage of Revenue

The following table summarizes key components of our results of operations for the periods indicated as a percentage of our total revenue, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant revenue.

	Fiscal Quarter Ended		Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019	September 29, 2020	October 1, 2019
	(unaudited)			
<i>Revenue:</i>				
Restaurant revenue	98.5 %	98.7 %	98.8 %	98.8 %
Franchising royalties and fees, and other	1.5 %	1.3 %	1.2 %	1.2 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
<i>Costs and expenses:</i>				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	24.8 %	25.3 %	25.1 %	25.9 %
Labor	29.9 %	32.5 %	32.7 %	33.1 %
Occupancy	11.2 %	10.4 %	12.5 %	10.7 %
Other restaurant operating costs	18.6 %	14.7 %	18.3 %	14.7 %
General and administrative	10.2 %	8.8 %	11.0 %	9.3 %
Depreciation and amortization	5.2 %	4.6 %	5.7 %	4.8 %
Pre-opening	0.2 %	0.2 %	0.1 %	0.1 %
Restaurant impairments, closure costs and asset disposals	0.3 %	0.3 %	1.4 %	1.0 %
Total costs and expenses	99.3 %	95.7 %	105.8 %	98.5 %
Income (loss) from operations	0.7 %	4.3 %	(5.8)%	1.5 %
Interest expense, net	0.8 %	0.6 %	0.9 %	0.7 %
(Loss) income before taxes	(0.1)%	3.6 %	(6.8)%	0.8 %
Provision for income taxes	— %	0.1 %	— %	— %
Net (loss) income	(0.1)%	3.6 %	(6.8)%	0.8 %

Third Quarter Ended September 29, 2020 Compared to Third Quarter Ended October 1, 2019

The table below presents our unaudited operating results for the third quarters of 2020 and 2019, and the related quarter-over-quarter changes.

	Fiscal Quarter Ended		Increase / (Decrease)	
	September 29, 2020	October 1, 2019	\$	%
(in thousands, unaudited)				
<i>Revenue:</i>				
Restaurant revenue	\$ 104,413	\$ 116,759	\$ (12,346)	(10.6)%
Franchising royalties and fees, and other	1,569	1,545	24	1.6 %
Total revenue	105,982	118,304	(12,322)	(10.4)%
<i>Costs and expenses:</i>				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	25,900	29,544	(3,644)	(12.3)%
Labor	31,264	37,951	(6,687)	(17.6)%
Occupancy	11,737	12,108	(371)	(3.1)%
Other restaurant operating costs	19,383	17,161	2,222	12.9 %
General and administrative	10,827	10,436	391	3.7 %
Depreciation and amortization	5,541	5,458	83	1.5 %
Pre-opening	239	266	(27)	(10.2)%
Restaurant impairments, closure costs and asset disposals	369	336	33	9.8 %
Total costs and expenses	105,260	113,260	(8,000)	(7.1)%
Income from operations	722	5,044	(4,322)	(85.7)%
Interest expense, net	822	737	85	11.5 %
(Loss) income before taxes	(100)	4,307	(4,407)	*
Provision for income taxes	27	64	(37)	(57.8)%
Net (loss) income	\$ (127)	\$ 4,243	\$ (4,370)	*
Company-owned:				
Average unit volume	\$ 1,187	\$ 1,188	\$ (1)	(0.1)%
Comparable restaurant sales	(3.6)%	2.2 %		

* Not meaningful.

Revenue

Total revenue decreased \$12.3 million in the third quarter of 2020, or 10.4%, to \$106.0 million, compared to \$118.3 million in the third quarter of 2019. This decrease was due to a decline in traffic related to the impact of the COVID-19 pandemic during the third quarter of 2020, as well as a \$2.3 million decrease related to the refranchising of nine total restaurants since the third quarter of 2019. Additionally, revenue decreased due to temporary closures related to the COVID-19 pandemic, including the closure of all of our company-owned restaurants on July 4 and 5, 2020.

AUV, which normalizes for the impact of temporary restaurant closures, was relatively flat year-over-year as strong off-premise sales, including digital, offset the COVID-19 pandemic related impacts including having in restaurant dining closed for a significant portion of the third quarter 2020.

System-wide comparable restaurant sales were down 3.8% in the third quarter of 2020 compared to the same period of 2019, comprised of a 3.6% decrease at company-owned restaurants and a 5.0% decrease at franchise-owned restaurants. The comparable restaurant sales decline in the third quarter of 2020 was driven primarily by a decline in traffic related to the impact

of the COVID-19 pandemic, partially offset by increased off-premise sales. Comparable restaurant sales improved throughout the quarter.

System-wide comparable sales were down 8.2% for the four weeks ended July 28, 2020, down 4.7% for the four weeks ended August 25, 2020 and increased 0.4% for the five weeks ended September 29, 2020.

Cost of Sales

Cost of sales decreased by \$3.6 million, or 12.3%, in the third quarter of 2020 compared to the same period of 2019, due primarily to the reduction in restaurant revenue. As a percentage of restaurant revenue, cost of sales decreased to 24.8% in the third quarter of 2020 compared to 25.3% in third quarter of 2019 primarily due to ongoing supply chain initiatives, increased menu pricing and lower discounting, partially offset by higher packaging costs associated with the shift to increased off-premise sales in response to the COVID-19 pandemic.

Labor Costs

Labor costs decreased by \$6.7 million, or 17.6%, in the third quarter of 2020 compared to the same period of 2019. As a percentage of restaurant revenue, labor costs decreased to 29.9% in the third quarter of 2020 from 32.5% in the third quarter of 2019 as a result of labor initiatives including modifying our labor model to reduce the number of front of house hours in our restaurants, especially during the time that indoor dining was not available, and improved turnover trends, partly offset by the decline in restaurant sales associated with the COVID-19 pandemic.

Occupancy Costs

Occupancy costs decreased by \$0.4 million, or 3.1%, in the third quarter of 2020 compared to the third quarter of 2019 primarily due to restaurants closed or impaired since the beginning of the third quarter of 2019. As a percentage of revenue, occupancy costs increased to 11.2% in the third quarter of 2020, compared to 10.4% in the third quarter of 2019 due to reduced revenue from the impact of the COVID-19 pandemic.

Other Restaurant Operating Costs

Other restaurant operating costs increased by \$2.2 million, or 12.9%, in the third quarter of 2020 compared to the third quarter of 2019 due to increased third-party delivery fees partially offset by a decrease in utilities and credit card fees. As a percentage of restaurant revenue, other restaurant operating costs increased to 18.6% in the third quarter of 2020 compared to 14.7% in the third quarter of 2019 due primarily to increased third-party delivery fees resulting from a significant expansion of our use of third-party delivery services due to the COVID-19 pandemic. Third party delivery fees were 5.5% and 1.6% of total revenue for the third quarters of 2020 and 2019, respectively.

General and Administrative Expense

General and administrative expense increased by \$0.4 million or 3.7% in the third quarter of 2020 compared to the third quarter of 2019, due primarily to the cost savings initiatives implemented as a result of the COVID-19 pandemic, including position reductions, temporary salary reductions and reduction in bonus expense, partially offset by increases in severance and stock based compensation. The third quarter of 2019 included a credit related to cancelled grants due to the departure of our Executive Chairman. As a percentage of revenue, general and administrative expense increased to 10.2% in the third quarter of 2020 from 8.8% in the third quarter of 2019 due primarily to the decline in revenue.

Depreciation and Amortization

Depreciation and amortization increased by \$0.1 million, or 1.5%, in the third quarter of 2020 compared to the third quarter of 2019, due primarily to restaurants closed or impaired since the beginning of the third quarter of 2019 and the impact of the nine restaurants sold to a franchisee, partially offset by new asset additions. As a percentage of revenue, depreciation and amortization increased to 5.2% in the third quarter of 2020 from 4.6% in the third quarter of 2019.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals remained flat in the third quarter of 2020 compared to the third quarter of 2019. No impairment was recorded in the third quarters of 2020 or 2019.

Interest Expense

Interest expense increased by \$0.1 million in the third quarter of 2020 compared to the third quarter of 2019. The increase was due to higher average borrowings and a higher average interest rate during the third quarter of 2020 compared to the third quarter of 2019.

Provision for Income Taxes

The effective tax rate was (27.0)% for the third quarter of 2020 compared to 1.5% for the third quarter of 2019. The amount recorded for the provision for income taxes for the third quarter of 2020 was \$27,000. The effective tax rate for the third quarter of 2020 reflects the impact of the previously recorded valuation allowance. For the remainder of fiscal 2020, we do not anticipate material income tax expense or benefit as a result of the valuation allowance recorded. We will maintain a valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax.

Three Quarters Ended September 29, 2020 Compared to Three Quarters Ended October 1, 2019

The table below presents our unaudited operating results for the first three quarters of 2020 and 2019, and the related period-over-period changes.

	Three Fiscal Quarters Ended		Increase / (Decrease)	
	September 29, 2020	October 1, 2019	\$	%
(in thousands, except percentages)				
<i>Revenue:</i>				
Restaurant revenue	\$ 283,150	\$ 344,382	\$ (61,232)	(17.8)%
Franchising royalties and fees, and other	3,337	4,158	(821)	(19.7)%
Total revenue	286,487	348,540	(62,053)	(17.8)%
<i>Costs and expenses:</i>				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	71,124	89,083	(17,959)	(20.2)%
Labor	92,632	113,920	(21,288)	(18.7)%
Occupancy	35,473	36,849	(1,376)	(3.7)%
Other restaurant operating costs	51,861	50,475	1,386	2.7 %
General and administrative	31,415	32,424	(1,009)	(3.1)%
Depreciation and amortization	16,273	16,626	(353)	(2.1)%
Pre-opening	383	331	52	15.7 %
Restaurant impairments, closure costs and asset disposals	3,983	3,640	343	9.4 %
Total costs and expenses	303,144	343,348	(40,204)	(11.7)%
(Loss) income from operations	(16,657)	5,192	(21,849)	*
Interest expense, net	2,710	2,298	412	17.9 %
(Loss) income before taxes	(19,367)	2,894	(22,261)	*
Provision for income taxes	73	64	9	14.1 %
Net (loss) income	\$ (19,440)	\$ 2,830	\$ (22,270)	*
<i>Company-owned:</i>				
Average unit volumes	\$ 1,037	\$ 1,164	\$ (127)	(10.9)%
Comparable restaurant sales	(14.0)%	3.4 %		

* Not meaningful.

Revenue

Total revenue decreased by \$62.1 million, or 17.8%, in the first three quarters of 2020, to \$286.5 million compared to \$348.5 million in the same period of 2019. This decrease was primarily due to the decrease in comparable restaurant sales as a result of the COVID-19 pandemic as well as refranchising 14 restaurants to a franchisee and the impact of closures of our company-owned restaurants on July 4 and 5, 2020.

AUVs were down slightly in the first three quarters of 2020 compared to the first three quarters of 2019 due primarily to the decline in the second quarter of 2020 as a result of the early impacts of the COVID-19 pandemic.

Comparable restaurant sales decreased by 14.0% at company-owned restaurants, decreased by 16.7% at franchise-owned restaurants and decreased by 14.3% system-wide in the first three quarters of 2020. The comparable restaurant sales decline in the first three quarters of 2020 was driven primarily by a decline in traffic related to the impact of the COVID-19 pandemic, partially offset by increased off-premise sales and a new menu pricing structure.

Cost of Sales

Cost of sales decreased by \$18.0 million, or 20.2%, in the first three quarters of 2020 compared to the same period of 2019, due primarily to the decline in restaurant sales associated with the COVID-19 pandemic, ongoing supply chain initiatives, increased menu pricing and lower discounting, partially offset by higher packaging costs associated with the shift to increased off-premise sales. As a percentage of restaurant revenue, cost of sales decreased to 25.1% in the first three quarters of 2020 compared to 25.9% in the first three quarters of 2019 primarily due to increased menu pricing and supply chain savings initiatives.

Labor Costs

Labor costs decreased by \$21.3 million, or 18.7%, in the first three quarters of 2020 compared to the same period of 2019, due primarily to the decline in restaurant sales associated with the COVID-19 pandemic as well as labor initiatives implemented in the first three quarters of 2020 including modifying our labor model to reduce the number of front of house hours in our restaurants, especially during the time that indoor dining rooms were closed. As a percentage of restaurant revenue, labor costs decreased to 32.7% in the first three quarters of 2020 compared to 33.1% in the first three quarters of 2019. The decrease as a percentage of restaurant revenue was driven by the labor initiatives implemented.

Occupancy Costs

Occupancy costs decreased by \$1.4 million, or 3.7%, in the first three quarters of 2020 compared to the first three quarters of 2019 due to restaurants closed or impaired since the beginning of the third quarter of 2019 as well as the impact of the 14 restaurants sold to a franchisee since the third quarter of 2019. As a percentage of revenue, occupancy costs increased to 12.5% in first three quarters of 2020, compared to 10.7% in the first three quarters of 2019, primarily due to reduced revenue from the impact of the COVID-19 pandemic.

Other Restaurant Operating Costs

Other restaurant operating costs increased by \$1.4 million, or 2.7%, in the first three quarters of 2020 compared to the first three quarters of 2019, due to increased third-party delivery fees partially offset by decreases in utilities, repairs and maintenance, and credit card fees. As a percentage of restaurant revenue, other restaurant operating costs increased to 18.3% in the first three quarters of 2020, compared to 14.7% in the first three quarters of 2019 due primarily to increased third-party delivery fees resulting from a significant expansion of our use of third-party delivery services in the second and third quarters of 2020 due to the COVID-19 pandemic. Third party delivery fees were 4.8% and 1.4% of total revenue for the first three quarters of 2020 and 2019, respectively.

General and Administrative Expense

General and administrative expense decreased by \$1.0 million, or 3.1%, in the first three quarters of 2020 compared to the first three quarters of 2019, due primarily to the cost savings initiatives implemented as a result of the COVID-19 pandemic, including position reductions, furloughs, temporary salary reductions and reduction in bonus expense, partially offset by an increase in severance and marketing expense. As a percentage of revenue, general and administrative expense increased to 11.0% in the first three quarters of 2020 compared to 9.3% in the first three quarters of 2019, primarily due to reduced revenue from the impact of the COVID-19 pandemic.

Depreciation and Amortization

Depreciation and amortization decreased by \$0.4 million, or 2.1%, in the first three quarters of 2020 compared to the first three quarters of 2019 primarily due to restaurants closed or impaired since the third quarter of 2019 and the impact of the 14 restaurants sold to a franchisee, partially offset by new asset additions. As a percentage of revenue, depreciation and amortization increased to 5.7% in the first three quarters of 2020, compared to 4.8% in the first three quarters of 2019, due primarily to the decline in restaurant sales as a result of the COVID-19 pandemic.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals increased by \$0.3 million in the first three quarters of 2020 compared to the first three quarters of 2019. The increase was largely due to ongoing closure costs which was higher during the first three quarters of 2020 by \$1.0 million compared to the same period in 2019 as the closure costs in the first three quarters of 2019 were partially offset by gains recognized from the adjustments to liabilities on lease terminations. During the first three quarters of 2020, we also incurred losses from the disposal of assets related to the divestiture of company-owned restaurants to a franchisee. Additionally, there were five restaurant impairments in the first three quarters of 2020 compared to two restaurant impairments in the first three quarters of 2019.

Interest Expense

Interest expense increased by \$0.4 million in the first three quarters of 2020 compared to the same period of 2019. The increase was mainly due to higher average borrowings and a higher average interest rate in the first three quarters of 2020 compared to the first three quarters of 2019.

Provision for Income Taxes

The effective tax rate was (0.4)% for the first three quarters of 2020 compared to 2.2% for the first three quarters of 2019. The effective tax rate for the first three quarters of 2020 reflects the impact of the previously recorded valuation allowance. For the remainder of fiscal 2020, we do not anticipate material income tax expense or benefit as a result of the valuation allowance recorded. We will maintain a valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax.

Liquidity and Capital Resources

Summary of Cash Flows

On November 20, 2019, the Company amended its 2018 Credit Facility by entering into the First Amendment to the Credit Facility (the “Amendment” or “Amended Credit Facility”).

On June 16, 2020 (the “Effective Date”), the Company amended its 2018 Credit Facility by entering into the Second Amendment to the Credit Facility (the “Second Amendment” or the “Second Amended Credit Facility”). Beginning on the Effective Date and through the third quarter of 2021 (the “Amendment Period”), borrowings under the Second Amended Credit Facility, including the term loan facility (“Borrowings”), will bear interest at LIBOR plus 3.25% per annum. Following the Amendment Period, Borrowings will bear interest at LIBOR plus a margin of 2.00% to 3.00% per annum, based upon the consolidated total lease-adjusted leverage ratio. Among other things, the Second Amendment (i) waives the lease-adjusted leverage ratio and fixed charge ratio covenants until the beginning of the second quarter of 2021, (ii) amends the Company’s lease-adjusted leverage ratio and fixed coverage ratio covenant thresholds beginning in the second quarter of 2021 through the third quarter of 2022 and the first quarter of 2022, respectively and (iii) limits capital expenditures to \$12.0 million in 2020, \$12.0 million plus a liquidity-based performance basket up to an additional \$12.0 million in 2021, \$34.0 million in 2022, \$37.0 million in 2023 and \$45.0 million annually thereafter. As of September 29, 2020, our cash and cash equivalents balance was \$8.6 million and the amount available for future borrowings under our Amended Credit Facility was \$52.3 million.

We have historically used cash to fund capital expenditures for new restaurant openings, reinvest in our existing restaurants, invest in infrastructure and information technology and maintain working capital. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day, or in the case of credit or debit card transactions, within several days of the related sale, and we typically have up to 30 days to pay our vendors.

We believe that we will be in compliance with our debt covenants and have sufficient sources of cash to meet our liquidity needs and capital resource requirements for the next twelve months, primarily through currently available cash and cash equivalents and cash flows from operations.

Cash flows from operating, investing and financing activities are shown in the following table (in thousands):

	Three Fiscal Quarters Ended	
	September 29, 2020	October 1, 2019
Net cash provided by operating activities	\$ 8,314	\$ 16,269
Net cash used in investing activities	(9,887)	(14,823)
Net cash used in financing activities	(265)	(3,015)
Net decrease in cash and cash equivalents	<u>\$ (1,838)</u>	<u>\$ (1,569)</u>

Operating Activities

Net cash provided by operating activities decreased to \$8.3 million in the first three quarters of 2020 from net cash provided by operating activities of \$16.3 million in the first three quarters of 2019. The decline in operating cash flows resulted primarily from decreased net income during the first three quarters of 2020 due to the COVID-19 pandemic as well as working capital changes during the first three quarters of 2020 compared to the prior period of 2019, adjusted for non-cash items such as depreciation and amortization, restaurant impairments, closure costs and asset disposals, stock-based compensation.

Investing Activities

Net cash used in investing activities decreased \$4.9 million in the first three quarters of 2020 from \$14.8 million in the first three quarters of 2019. This decrease was primarily due to fewer new restaurant openings in the first three quarters of 2020 compared to 2019 and the acquisition of one franchise restaurant in 2019.

Financing Activities

Net cash used in financing activities was \$0.3 million in the first three quarters of 2020 largely related to precautionary draws on our revolving credit facility of \$55.5 million offset by subsequent repayments totaling \$54.1 million and related debt issuance costs as well as payments on finance leases. The first three quarters of 2019 included payments on long-term debt and finance leases.

Capital Resources

Future Capital Expenditure Requirements. Our capital expenditure requirements are primarily dependent upon the pace of our real estate development program and resulting new restaurant openings, costs for maintenance and remodeling of our existing restaurants as well as information technology expenses and other general corporate capital expenditures.

Due to the initial impact of the COVID-19 pandemic, in the first two quarters of 2020, we substantively halted capital investment in new unit development as well as other discretionary capital initiatives, including our “kitchen of the future” initiative. We estimate capital expenditures will be approximately \$11.5 million to \$12.0 million for fiscal year 2020, primarily for repairs and maintenance and the opening of four company-owned restaurants. We expect such capital expenditures to be funded by currently available cash and cash equivalents and cash from operations.

Current Resources. Our operations have not historically required significant working capital and, like many restaurant companies, we operate with negative working capital. Restaurant sales are primarily paid for in cash or by credit or debit card, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, therefore reducing the need for incremental working capital to support growth.

Liquidity. In the third quarter of 2020, we paid down \$51.8 million on our revolving credit facility, providing the Company with a cash balance of approximately \$8.6 million at the end of the third quarter of 2020 compared to \$10.5 million as of December 31, 2019. We believe that our current cash and cash equivalents, the expected cash flows from company-owned restaurant operations, the expected franchise fees and royalties and available borrowings under the credit facility will be sufficient to fund our cash requirements for working capital needs and capital improvements and maintenance of existing restaurants for at least the next twelve months.

Credit Facility

In November of 2019, we amended our 2018 Credit Facility by entering into that certain First Amendment to Credit Agreement (the “Amendment” or “First Amended Credit Facility”). Among other things, the Amendment: (i) extended the maturity date to November 20, 2024; (ii) increased the revolving credit facility from \$65.0 million to \$75.0 million; (iii) delayed step downs of the Company’s leverage covenant; and (iv) increased the limit on capital expenditures to \$37.0 million in 2020 and to \$45.0 million in 2021 and each fiscal year thereafter. Upon execution of the First Amended Credit Facility, the Company repaid in full its outstanding indebtedness under its prior credit facility using funds drawn on the First Amended Credit Facility. Upon repayment, the prior credit facility and all related agreements were terminated.

On June 16, 2020 (the “Effective Date”), the Company amended its 2018 Credit Facility by entering into the Second Amendment to the Credit Facility (the “Second Amendment” or the “Second Amended Credit Facility”). Beginning on the Effective Date and through the third quarter of 2021 (the “Amendment Period”), borrowings under the Second Amended Credit Facility, including the term loan facility (“Borrowings”), will bear interest at LIBOR plus 3.25% per annum. Following the Amendment Period, borrowings will bear interest at LIBOR plus a margin of 2.00% to 3.00% per annum, based upon the consolidated total lease-adjusted leverage ratio. Among other things, the Second Amendment (i) waives the lease-adjusted leverage ratio and fixed charge ratio covenants through the first quarter of 2021; (ii) amends the Company’s lease-adjusted leverage ratio and fixed coverage ratio covenant thresholds beginning in the second quarter of 2021 through the third quarter of 2022 and the first quarter of 2022, respectively and (iii) limits capital expenditures to \$12.0 million in 2020, \$12.0 million plus a liquidity-based performance basket up to an additional \$12.0 million in 2021, \$34.0 million in 2022, \$37.0 million in 2023 and \$45.0 million annually thereafter.

We have historically used cash to fund capital expenditures for new restaurant openings, reinvest in our existing restaurants, invest in infrastructure and information technology and maintain working capital. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day, or in the case of credit or debit card transactions, within several days of the related sale, and we typically have up to 30 days to pay our vendors.

As of September 29, 2020, we had \$44.0 million of indebtedness (excluding \$1.8 million of unamortized debt issuance costs) and \$3.2 million of letters of credit outstanding under the Second Amended Credit Facility. The term loan requires principal payments of \$187,500 per quarter through the third quarter of 2021, \$375,000 per quarter through the third quarter of 2022, and \$531,250 per quarter through the third quarter of 2023 and \$625,000 per quarter thereafter through maturity.

Our Second Amended Credit Facility is secured by a pledge of stock of substantially all of our subsidiaries and a lien on substantially all of our and our subsidiaries’ personal property assets.

Based on our most recent financial estimates of the impact of the COVID-19 pandemic on our business, we believe that we will be in compliance with our debt covenants and have sufficient liquidity to meet our cash requirements and reduced capital resource requirements for the next twelve months primarily through currently available cash and cash equivalents and cash flows from operations.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements or obligations as of September 29, 2020.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in our Annual Report on Form 10-K for the year ended December 31, 2019. Critical accounting estimates are those that require application of management’s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. Our critical accounting estimates are identified and described in our annual consolidated financial statements and the related notes included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk from changes in interest rates on debt. Our exposure to interest rate fluctuations is limited to our outstanding bank debt, which bears interest at variable rates. As of September 29, 2020, we had \$44.0 million of outstanding borrowings under our credit facility. An increase or decrease of 1.0% in the effective interest rate applied on these loans would have resulted in a pre-tax interest expense fluctuation of approximately \$0.4 million on an annualized basis. There is currently uncertainty around whether LIBOR will continue to exist after 2021. If LIBOR ceases to exist, we may need to renegotiate our loan documents and we cannot predict what alternative index would be negotiated with our lenders. As a result, our interest expense could increase, thereby increasing our interest payments and costs of funding our other fixed costs, and impacting our available cash flow for general corporate requirements.

Commodity Price Risk

We purchase certain products that are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors which are not considered predictable or within our control. Although these products are subject to changes in commodity prices, certain purchasing contracts or pricing arrangements contain risk management techniques designed to minimize price volatility. Typically, we use these types of purchasing techniques to control costs as an alternative to directly managing financial instruments to hedge commodity prices. In many cases, we believe we will be able to address material commodity cost increases by adjusting our menu pricing or changing our product delivery strategy. However, increases in commodity prices, without adjustments to our menu prices, could increase restaurant operating costs as a percentage of restaurant revenue.

Inflation

The primary inflationary factors affecting our operations are food, labor costs, energy costs and materials used in the construction of new restaurants. Increases in the minimum wage requirements 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. Finally, the cost of constructing our restaurants is subject to inflationary increases in the costs of labor and material. Over the past five years, inflation has not significantly affected our operating results with the exception of increased wage inflation that affected our results from 2016 through the first three quarters of 2020. We expect wage inflation may continue to affect our results in the near future.

Item 4. Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our principal executive and financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 29, 2020, pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our principal executive and financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

In the normal course of business, we are subject to other proceedings, lawsuits and claims. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 29, 2020. These matters could affect the operating results of any one financial reporting period when resolved in future periods. We believe that an unfavorable outcome with respect to these matters is remote or a potential range of loss is not material to our consolidated financial statements. Significant increases in the number of these claims, or one or more successful claims that result in greater liabilities than we currently anticipate, could materially adversely affect our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in the “Risk Factors” section of our Annual Report on Form 10-K for our fiscal year ended December 31, 2019. There have been no material changes to our Risk Factors as previously reported in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019 and in our Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibit Index

Exhibit Number	Description of Exhibit
10.1*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Dave Boennighausen
10.2*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Brad West
10.3*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Stacey Pool
10.4*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Melissa Heidman
31.1	Certification of Principal Executive and Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive and Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.0	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Management contract or compensatory plan or arrangement.

SIGNATURES

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

NOODLES & COMPANY

By: /s/ KATHRYN LOCKHART
Kathryn Lockhart
Chief Accounting Officer (chief accounting officer and duly authorized signatory for the registrant)

Date October 29, 2020

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is entered into as of October 27, 2020, by and between Noodles & Company, a Delaware corporation (the “Company”), and Dave Boennighausen, an individual (the “Executive”).

INTRODUCTION

1. The Company wishes to continue to employ the Executive as its Chief Executive Officer.
2. The Executive desires to continue to be employed by the Company, pursuant to the terms and conditions set forth herein.

AGREEMENT

In consideration of the premises and mutual promises herein below set forth, the parties hereby agree as follows:

1. Employment Period

The term of the Executive’s employment by the Company pursuant to this Agreement (the “Employment Period”) shall commence on October 27, 2020 (the “Effective Date”) and shall continue until terminated pursuant to Section 5.

2. Employment

(a) Title; Duties. The Executive shall serve as Chief Executive Officer of the Company during the Employment Period, and the Executive hereby accepts such employment. The duties assigned and authority granted to the Executive shall be as determined by the Company’s Board of Directors (the “Board”) from time to time, and such duties shall be consistent with the Executive’s position and status as Chief Executive Officer. The Executive also shall serve as a member of the Board during the Employment Period. The Executive agrees to perform his duties for the Company diligently, competently, and in a good faith manner.

(b) Exclusive Employment. During the Employment Period, the Executive shall devote his full business time to his duties and responsibilities set forth above, and may not, without the prior written consent of the Board or its designee, operate, participate in the management, board of directors, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company); provided, however, that the Executive may (i) engage in civic and charitable activities, (ii) participate in industry associations, deliver lectures or fulfill speaking engagements, (iii) make and maintain outside personal investments, and (iv) serve on one board of directors consented to in writing by the Board (which consent shall not be unreasonably

withheld or delayed), provided that none of the foregoing activities and service significantly interfere with the Executive's performance of his duties hereunder.

3. Compensation

(a) Base Salary. The Executive shall be entitled to receive a base salary from the Company during the Employment Period at the rate of \$600,000 per year. The Executive's base salary shall be reviewed annually by the Board or the Compensation Committee of the Board (the "Committee"), and may be increased (but not decreased). The base salary shall be paid in accordance with the Company's payroll procedures as in effect from time-to-time.

(b) Annual Bonus. The Executive shall be eligible to receive an annual bonus (the "Annual Bonus") for each calendar year during the Employment Period in an amount targeted at eighty-five percent (85%) of the Executive's then-effective annual base salary, contingent upon the Executive achieving certain targeted goals that will be established by the Board or the Committee and prorated for partial years of employment. Any Annual Bonus to which the Executive may be entitled under this Section 3(b) shall be paid in cash in the form of a lump sum as soon as practicable following the completion of the financial audit for the applicable fiscal year, and in no event later than April 30 after the end of the fiscal year to which such Annual Bonus relates. Whether and to what degree the Executive has met the performance goals described in this Section 3(b) shall be determined by the Board in its reasonable discretion in accordance with the applicable bonus/performance goals document for that bonus year described in the first sentence of this Section 3(b).

(c) Equity Grants. Executive shall be eligible to receive equity grants during the Employment Period as determined by the Compensation Committee of the Board in its sole discretion.

4. Other Benefits; Location

(a) Insurance. During the Employment Period, the Executive and the Executive's dependents shall be eligible for coverage under the group insurance plans made available from time to time to Company's executive employees. The premiums for the coverage of the Executive and the Executive's dependents under that plan shall be paid by the Company pursuant to the formula in place for other executive employees covered by Company's group insurance plans.

(b) Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all other savings and retirement plans, practices, policies and programs, in each case on terms and conditions no less favorable than the terms and conditions generally applicable to the Company's other executive employees.

(c) Vacation. During the Employment Period, the Executive shall be entitled to an annual vacation pursuant to the Company's Time Away From Work policy, as in effect from time to time.

(d) Reimbursement of Expenses. The Company shall promptly reimburse the Executive for all reasonable out of pocket travel, entertainment, and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his responsibilities or services under this Agreement upon the submission of appropriate documentation pursuant to the Company's policies in effect from time to time.

5. Termination

(a) Termination by the Company with Cause. Upon written notice to the Executive, the Company may terminate the Executive's employment for Cause (as defined below). In the event that the Executive's employment is terminated for Cause, the Executive shall receive from the Company payments for (i) any and all earned and unpaid portion of his then-effective base salary (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); (ii) any and all unreimbursed business expenses (in accordance with the Company's reimbursement policy); (iii) any and all accrued and unused vacation time through the Date of Termination (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); and (iv) any other benefits the Executive is entitled to receive as of the Date of Termination under the employee benefit plans of the Company, less standard withholdings (items (i) through (iv) are hereafter referred to as "Accrued Benefits"). Except for the Accrued Benefits or as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation of any kind on account of the Executive's termination of employment or to make any payment in lieu of notice to the Executive in the event of a termination pursuant to this Section 5(a). Except as required by law or as otherwise provided herein, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(a).

(b) Termination by the Company Without Cause. The Company may, at any time and without prior written notice, terminate the Executive's employment without Cause. In the event that the Executive's employment with the Company is terminated without Cause, the Executive shall receive the Accrued Benefits and any unpaid portion of the Annual Bonus from a prior year (payable when other senior executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned). In addition, the Executive shall be entitled to receive from the Company the following: (i) severance payments totaling (A) if the termination does not occur during the CIC Protection Period, eighteen (18) months of base salary, paid in equal installments according to the Company's regular payroll schedule over the eighteen (18) months following the Date of Termination (the "Severance Period"), or (B) if the termination occurs during the CIC Protection Period, twenty-four (24) months of base salary, paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable, (ii) (A) if the termination does not occur during the CIC Protection Period, a pro rata portion of the Annual Bonus for the year in which the Date of Termination occurs, based on the number of full months employed in such fiscal year and actual performance for such year, paid when other senior executives receive their annual bonuses for such year (and in no event later than March 15 of the

year following the year in which the Date of Termination occurs), or (B) if the termination occurs during the CIC Protection Period, a pro rata Target Bonus (with the proration determined in the same manner as in clause (ii)(A)), paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable; and (iii) a cash payment equal to the “COBRA” premium for Executive’s elected coverage as of the Date of Termination for eighteen (18) months, payable in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable. The Executive’s entitlement to the severance payments and benefits in the foregoing sentence is conditioned on (A) the Executive’s executing and delivering to the Company of a release of claims substantially in the form attached hereto as Exhibit A within forty-five (45) days following the Date of Termination, and on such release becoming effective, and (B) the Executive’s continued compliance with the restrictive covenants set forth in Sections 6, 7 and 8; provided, that if such forty-five (45) day period begins in one taxable year and ends in the following taxable year, the payments described in (i) of the preceding sentence shall commence in the second taxable year (and any payments that would have been made in the first taxable year shall be paid in a lump sum at the time payments commence pursuant hereto). Except as specifically provided in this Section 5(b) or in another section of this Agreement, or except as required by law, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(b). For the avoidance of doubt, a Change in Control shall not, standing alone, make the Executive eligible for any severance benefits pursuant to this Section 5(b) or Section 5(c); rather, this Agreement includes a “double-trigger” pursuant to which a termination without Cause or a resignation for Good Reason is a prerequisite for any such benefits following a Change in Control.

(c) Termination by the Executive for Good Reason. The Executive may voluntarily terminate his employment with the Company and receive the severance payments, bonus payments, and other benefits detailed in Section 5(b) following the occurrence of an event constituting Good Reason (as defined below) that has not been cured by the Company within the timeframe specified in the definition of Good Reason.

(d) Voluntary Termination. If the Executive terminates employment with the Company without Good Reason, the Executive agrees to provide the Company with thirty (30) days’ prior written notice. In the event that the Executive’s employment is terminated under this Section 5(d), the Executive shall receive from the Company payment for all Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive on account of the Executive’s termination of employment pursuant to this Section 5(d).

(e) Termination Upon Death or Disability. If the Executive’s employment is terminated as a result of death or Disability prior to the expiration of the Employment Period, the Executive (or the Executive’s estate, or other designated beneficiary(s) as shown in the records of the Company in the case of death) shall be entitled to receive from the Company (i) payment for the Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above and any unpaid portion of the Annual Bonus from a prior year (payable when other senior

executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned), and (ii) a portion of the Annual Bonus that the Executive would have been eligible to receive for days employed by the Company in the year in which the Executive's death or Disability occurs, determined by multiplying (x) the Annual Bonus based on the actual level of achievement of the applicable performance goals for such year, by (y) a fraction, the numerator of which is the number of days up to and including the Date of Termination in the year in which the Date of Termination occurs, and the denominator of which is 365, such amount to be paid in the same time and the same form as the Annual Bonus otherwise would be paid. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive (or the Executive's estate, or other designated beneficiary(s), as applicable) upon a termination of employment by death or Disability.

(f) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

(A) "Cause" shall mean (i) the Executive breaches this Agreement or any material Company policy or procedure that, if curable, is not cured by the Executive to the reasonable satisfaction of the Board within 10 days following the Company notifying the Executive of such breach; (ii) the Executive commits a felony or any other crime involving dishonesty or moral turpitude; (iii) the Executive engages in fraudulent, dishonest or illegal conduct in the performance of services for or on behalf of Company; (iv) the Executive fails to follow lawful directions of the Board or the person to whom the Executive reports; (v) a harassment allegation against the Executive that the Board reasonably determines to be credible; (vi) any willful misconduct or gross negligence by the Executive with respect to his performance of duties for the Company; (vii) the Executive materially violates any material Company policy (including with respect to discrimination, harassment, data security and retaliation); or (viii) the Executive reports to or is present at work under the influence of alcohol or engages in the unlawful use or possession of drugs or illegal drugs (whether or not in the workplace).

(B) "Change in Control" means the occurrence of any of the following events: (i) during any 12-month period, the members of the Board (the "Incumbent Directors") cease for any reason other than due to death or disability to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the members of the Board who are at the time Incumbent Directors shall be considered an Incumbent Director, other than any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; (ii) the acquisition or ownership by any individual, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or any of its affiliates or subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its

Affiliates or Subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (excluding for this purpose any ownership or additional acquisition of Common Stock by any person (or any affiliate thereof) that owns more than 10% of the Common Stock as of the Effective Date); (iii) the merger, consolidation or other similar transaction of the Company, as a result of which the stockholders of the Company immediately prior to such merger, consolidation or other transaction, do not, immediately thereafter, beneficially own, directly or indirectly, more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of the merged, consolidated or other surviving company; or (iv) the sale, transfer or other disposition of all or substantially all of the assets of the Company to one or more persons or entities that are not, immediately prior to such sale, transfer or other disposition, affiliates of the Company. However, a "Change in Control" shall not be deemed to occur if the Company undergoes a bankruptcy, liquidation or reorganization under the United States Bankruptcy Code.

(C) "CIC Protection Period" means the period beginning sixty (60) days prior to a Change in Control and ending twelve (12) months following such Change in Control.

(D) "Date of Termination" shall mean (i) if the Executive is terminated by the Company for Disability, thirty (30) days after written notice of termination is given to the Executive (provided that the Executive shall not have returned to the performance of his duties on a full-time basis during such 30-day period); (ii) if the Executive's employment is terminated by the Company for any other reason, the date on which a written notice of termination is given or such other date specified in the notice, specifying in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment is given, and in the case of termination for Cause, after compliance with the notice and cure provisions in the definition of Cause; (iii) if the Executive terminates employment for Good Reason, the date of the Executive's resignation; provided that the notice and cure provisions in the definition of Good Reason have been complied with; (iv) if the Executive terminates employment for other than a Good Reason, the date specified in the Executive's notice in compliance with Section 5(f); or (v) in the event of the Executive's death, the date of death.

(E) "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness, which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(F) "Good Reason" shall mean, in the absence of written consent of the Executive, (i) the Board requiring the Executive to relocate the Executive's

principal place of employment by more than fifty (50) miles from its location as of the Effective Date, or (ii) only if occurring during the CIC Protection Period: (A) the Executive's removal from the position of Chief Executive Officer of the Company; (B) a temporary reduction in the annualized base salary or the target Annual Bonus (other than temporary reductions of no more than 10% in connection with such reductions applicable to other senior executives of the Company); or (C) a material breach by the Company of this Agreement.

If circumstances arise giving the Executive the right to terminate this Agreement for Good Reason, the Executive must within thirty (30) days notify the Company in writing of the existence of such circumstances, describing such circumstances with particularity and specifically citing this Section 5(f)(F), and the Company shall have thirty (30) days from receipt of such notice within which to investigate and remedy any such circumstances; if such circumstances exist and are not remedied within such 30-day period, then Executive shall thereafter have a period of thirty (30) days within which to exercise the right to terminate for Good Reason. If the Executive does not timely do so the right to terminate for Good Reason shall lapse and be deemed waived, and the Executive shall not thereafter have the right to terminate for Good Reason unless further circumstances occur giving rise independently to a right to terminate for Good Reason under this Section 5(f)(F).

(g) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive under this Section 5 (other than in the case of death) shall be communicated by a written notice (the "Notice of Termination") to the other party hereto, indicating the specific termination provision in this Agreement relied upon, setting forth as appropriate in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and specifying a Date of Termination which notice shall be delivered within the time periods set forth in the various subsections of this Section 5, as applicable (the "Notice Period"); provided, however, that the Company may pay to the Executive all base salary, benefits and other rights due to the Executive during the Notice Period instead of employing the Executive during such Notice Period.

(h) Resignation from All Positions. Upon the Executive's termination of employment for any reason, the Executive shall immediately resign from all other positions with the Company and its affiliates (including, to the extent applicable, as a member of the Board).

6. Non-Competition; General Provisions Applicable to Restrictive Covenants

(a) Covenant not to Compete. For the duration of the Employment Period and for six (6) months thereafter, the Executive shall not, directly or indirectly, own any interest in, manage, control, participate in, consult with, advise, render services for, or be employed in an executive, managerial or administrative capacity by (i) any entity engaged in the fast or quick-casual restaurant business or (ii) any other entity that engages in or plans to engage in a business that directly competes with the business of the Company, in each case within North America (a

“Competing Business”). Nothing herein shall prohibit the Executive from being a passive owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Executive has no active participation in the business of such corporation.

(b) Specific Performance. The Executive recognizes and agrees that a violation by him of his obligations under this Section 6, or under Section 7, or subparts (a) or (d) of Section 8 may cause irreparable harm to the Company that would be difficult to quantify and that money damages may be inadequate. As such, the Executive agrees that the Company shall have the right to seek injunctive relief (in addition to, and not in lieu of any other right or remedy that may be available to it) to prevent or restrain any such alleged violation without the necessity of posting a bond or other security and without the necessity of proving actual damages. However, the foregoing shall not prevent the Executive from contesting the Company’s request for the issuance of any such injunction on the grounds that no violation or threatened violation of the aforementioned Sections has occurred and that the Company has not suffered irreparable harm. If a court of competent jurisdiction determines that the Executive has violated the obligations of any covenant for a particular duration, then the Executive agrees that such covenant will be extended by that duration.

(c) Scope and Duration of Restrictions. The Executive expressly agrees that the character, duration and geographical scope of the restrictions imposed under this Section 6, and under Section 7, and all of Section 8 are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a determination nonetheless be made by a court of competent jurisdiction at a later date that the character, duration or geographical scope of any of the covenants contained herein is unreasonable in light of the circumstances as they then exist, then it is the intention of both the Executive and the Company that such covenant shall be construed by the court in such a manner as to impose only those restrictions on the conduct of the Executive which are reasonable in light of the circumstances as they then exist and necessary to assure the Company of the intended benefit of such covenant.

7. Confidentiality Covenants

The Executive acknowledges that the confidential business information generated by the Company and its subsidiaries, whether such information is written, oral or graphic, including, but not limited to, financial plans and records, marketing plans, business strategies and relationships with third parties, present and proposed products, present and proposed patent applications, trade secrets, information regarding customers and suppliers, strategic planning and systems and contractual terms obtained by the Executive while employed by the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary of the Company (collectively, the “Confidential Information”) is the property of the Company or such subsidiary. The Executive agrees that he shall not disclose to any Person or use for the Executive’s own purposes any Confidential Information or any confidential or proprietary information of other persons in the possession of the Company and its subsidiaries (“Third Party Information”), without the prior written consent of the Board, unless and to the extent that (i) the Confidential Information or Third Party Information becomes generally known to and available for use by the

public, other than as a result of the Executive's acts or omissions or (ii) the disclosure of such Confidential Information is required by law, in which case the Executive shall give notice to and the opportunity to the Company to comment on the form of the disclosure and only the portion of Confidential Information that is required to be disclosed by law shall be disclosed. In addition, nothing in this Section 7 or any other provision of this Agreement prohibits the Executive from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of federal law or regulation.

Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company or any of its subsidiaries that—(i) is made—(A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive's attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company or any of its subsidiaries for reporting a suspected violation of law, Executive may disclose the trade secret to the Executive's attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret except under court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

Nothing in the Agreement shall prohibit or restrict the Company or any of its subsidiaries, Executive or their respective attorneys from: (i) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to Executive's employment, or as required by law or legal process, including with respect to possible violations of law; (ii) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (iii) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts the Company or any of its subsidiaries or Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

8. Other Covenants

(a) Non-Solicitation. For the duration of the Employment Period and for twelve (12) months thereafter, other than in the course of performing his duties, the Executive shall not, directly or indirectly through another person, induce or attempt to induce any employee of the Company or any of its subsidiaries (other than restaurant-level employees who are not managers) to leave the employ of the Company or such subsidiary, or in any way interfere with the relationship between the Company or any of its subsidiaries and any such employee.

(b) Compliance with Company Policies. The Executive agrees that, during the Employment Period, he shall comply in all material respects with the Company's employee manual and other policies and procedures reasonably established by the Company from time to

time, including but not limited to policies addressing matters such as management, supervision, recruiting and diversity.

(c) **Cooperation.** For a period of eighteen (18) months following the end of the Employment Period, the Executive shall, upon the Company's reasonable request and in good faith and with the Executive's commercially reasonable efforts and subject to the Executive's reasonable availability, cooperate and assist the Company in any dispute, controversy, or litigation in which the Company may be involved and with respect to which the Executive obtained knowledge while employed by the Company or any of its affiliates, successors, or assigns, including, but not limited to, participation in any court or arbitration proceedings, giving of testimony, signing of affidavits, or such other personal cooperation as counsel for the Company shall request. Any such activities shall be scheduled, to the extent reasonably possible, to accommodate the Executive's business and personal obligations at the time. The Company shall pay the Executive's reasonable travel and incidental out-of-pocket expenses incurred in connection with any such cooperation.

(d) **Return of Business Records and Equipment.** Upon termination of the Executive's employment hereunder, the Executive shall promptly return to the Company: (i) all documents, records, procedures, books, notebooks, and any other documentation in any form whatsoever, including but not limited to written, audio, video or electronic, containing any information pertaining to the Company which includes Confidential Information, including any and all copies of such documentation then in the Executive's possession or control regardless of whether such documentation was prepared or compiled by the Executive, Company, other employees of the Company, representatives, agents, or independent contractors, and (ii) all equipment or tangible personal property entrusted to the Executive by the Company. The Executive acknowledges that all such documentation, copies of such documentation, equipment, and tangible personal property are and shall at all times remain the sole and exclusive property of the Company.

9. **Nondisparagement.** During the Executive's employment with the Company and thereafter, the Executive agrees, to the fullest extent permissible by law, not to make, directly or indirectly, any public or private statements, gestures, signs, signals or other verbal or nonverbal, direct or indirect communications that the Executive, using reasonable judgment, should have known would be harmful to or reflect negatively on the Company or are otherwise disparaging of the Company or its past, present or future officers, board members, employees, shareholders, and their affiliates. Nothing in this Section 9 shall prohibit either party from truthfully responding to an accusation from the other party or require either party to violate any subpoena or law.

10. **Governing Law.** This Agreement and any disputes or controversies arising hereunder shall be construed and enforced in accordance with and governed by the internal laws of the State of Colorado, without reference to principles of law that would apply the substantive law of another jurisdiction.

11. **Entire Agreement.** This Agreement, together with the agreements granting to the Executive the stock options specified in Section 3(c), constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supersedes

and cancels any and all previous agreements, written and oral, regarding the subject matter hereof. Without limiting the generality of the foregoing this Agreement supersedes the Employment Agreement dated September 21, 2017. This Agreement shall not be changed, altered, modified or amended, except by a written agreement that (i) explicitly states the intent of both parties hereto to supplement this Agreement and (ii) is signed by both parties hereto.

12. **Notices.** All notices, requests, demands and other communications called for or contemplated hereunder shall be in writing and shall be deemed to have been sufficiently given if personally delivered or if sent by registered or certified mail, return receipt requested to the parties, their successors in interest, or their assignees at the following addresses, or at such other addresses as the parties may designate by written notice in the manner aforesaid, and shall be deemed received upon actual receipt:

(a) to the Company at:

Noodles & Company
520 Zang Street, Suite D
Broomfield, CO 80021
Fax: (720) 214-1921
Attention: General Counsel

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166
Attention: Steven Shoemate, Esq.
Facsimile: (212) 351-5316

(b) to the Executive at the address reflected in the Company's payroll records

13. **Severability.** If any term or provision of this Agreement, or the application thereof to any person or under any circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such terms to the persons or under circumstances other than those as to which it is invalid or unenforceable, shall be considered severable and shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. **Waiver.** The failure of any party to insist in any one instance or more upon strict performance of any of the terms and conditions hereof, or to exercise any right or privilege herein conferred, shall not be construed as a waiver of such terms, conditions, rights or privileges, but same shall continue to remain in full force and effect. Any waiver by any party of any violation of, breach of or default under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

15. **Successors and Assigns.** This Agreement shall be binding upon the Company and any successors and assigns of the Company, including any corporation with which, or into which, the Company may be merged or which may succeed to the Company's assets or business. In the event that the Company sells or transfers all or substantially all of the assets of the Company, or in the event of any merger or consolidation of the Company, the Company shall use reasonable efforts to cause such assignee, transferee, or successor to assume the liabilities, obligations and duties of the Company hereunder. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive; provided, however, that this provision shall not preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude his executor or administrator from assigning any right hereunder to the person or persons entitled hereto.

16. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

17. **Headings.** Headings in this Agreement are for reference only and shall not be deemed to have any substantive effect.

18. **Opportunity to Seek Advice; Warranties and Representations.** The Executive acknowledges and confirms that he has had the opportunity to seek such legal, financial and other advice and representation as he has deemed appropriate in connection with this Agreement. The Executive hereby represents and warrants to the Company that he is not under any obligation of a contractual or quasi-contractual nature known to him that is inconsistent or in conflict with this Agreement or that would prevent, limit or impair the performance by the Executive of his obligations hereunder.

19. **Withholdings.** All salary, severance payments, bonuses or benefits provided by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

20. **Section 409A.** The parties intend that any compensation, benefits and other amounts payable or provided to the Executive under this Agreement be paid or provided in compliance with Section 409A of the Internal Revenue Code and all regulations, guidance, and other interpretative authority issued thereunder (collectively, "Section 409A") such that there will be no adverse tax consequences, interest, or penalties for the Executive under Section 409A as a result of the payments and benefits so paid or provided to him. The parties agree to modify this Agreement, or the timing (but not the amount) of the payment hereunder of severance or other compensation, or both, to the extent necessary to comply with and to the extent permissible under Section 409A. In addition, notwithstanding anything to the contrary contained in any other provision of this Agreement, the payments and benefits to be provided the Executive under this Agreement shall be subject to the provisions set forth below.

(a) The date of the Executive's "separation from service," as defined in the regulations issued under Section 409A, shall be treated as Executive's Date of Termination for purpose of determining the time of payment of any amount that becomes payable to the

Executive pursuant to Section 5 hereof upon the termination of his employment and that is treated as an amount of deferred compensation for purposes of Section 409A.

(b) In the case of any amounts that are payable to the Executive under this Agreement, or under any other “nonqualified deferred compensation plan” (within the meaning of Section 409A) maintained by the Company in the form of installment payments, (i) the Executive’s right to receive such payments shall be treated as a right to receive a series of separate payments under Treas. Reg. §1.409A-2(b)(2)(iii), and (ii) to the extent any such plan does not already so provide, it is hereby amended as of the date hereof to so provide, with respect to amounts payable to the Executive thereunder.

(c) If the Executive is a “specified employee” within the meaning of Section 409A at the time of his “separation from service” within the meaning of Section 409A, then any payment otherwise required to be made to him under this Agreement on account of his separation from service, to the extent such payment (after taking in to account all exclusions applicable to such payment under Section 409A) is properly treated as deferred compensation subject to Section 409A, shall not be made until the first business day after (i) the expiration of six months from the date of the Executive’s separation from service, or (ii) if earlier, the date of the Executive’s death (the “Delayed Payment Date”). On the Delayed Payment Date, there shall be paid to the Executive or, if the Executive has died, to the Executive’s estate, in a single cash lump sum, an amount equal to aggregate amount of the payments delayed pursuant to the preceding sentence.

(d) To the extent that the reimbursement of any expenses or the provision of any in-kind benefits pursuant to this Agreement is subject to Section 409A, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided hereunder during any one calendar year shall not affect the amount of such expenses eligible for reimbursement or in-kind benefits to be provided hereunder in any other calendar year; provided, however, that the foregoing shall not apply to any limit on the amount of any expenses incurred by the Executive that may be reimbursed or paid under the terms of the Company’s medical plan, if such limit is imposed on all similarly situated participants in such plan; (ii) all such expenses eligible for reimbursement hereunder shall be paid to the Executive as soon as administratively practicable after any documentation required for reimbursement for such expenses has been submitted, but in any event by no later than December 31 of the calendar year following the calendar year in which such expenses were incurred; and (iii) the Executive’s right to receive any such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

[The next page is the signature page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

NOODLES & COMPANY
a Delaware corporation

By: /s/ MELISSA M. HEIDMAN
Melissa M. Heidman

EXECUTIVE:

/s/ DAVE BOENNIGHAUSEN
Dave Boennighausen

[Signature Page to Employment Agreement]

Exhibit A

RELEASE AGREEMENT

1. Executive, individually and on behalf of his heirs and assigns, hereby releases, waives and discharges Company, and all subsidiary, parent or affiliated companies and corporations, and their present, former or future respective subsidiary, parent or affiliated companies or corporations, and their respective present or former directors, officers, shareholders, trustees, managers, supervisors, employees, partners, attorneys, agents, representatives and insurers, and the respective successors, heirs and assigns of any of the above described persons or entities (hereinafter referred to collectively as "Released Parties"), from any and all claims, causes of action, losses, damages, costs, and liabilities of every kind and character, whether known or unknown ("Claims"), that Executive may have or claim to have, in any way relating to or arising out of, in whole or in part, (a) any event or act of omission or commission occurring on or before the Date of Termination, including Claims arising by reason of the continued effects of any such events or acts, which occurred on or before the Date of Termination, or (b) Executive's employment with Company or the termination of such employment with Company, including but not limited to Claims arising under federal, state, or local laws prohibiting disability, handicap, age, sex, race, national origin, religion, retaliation, or any other form of discrimination, such as the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. §§ 621 et seq.; and Title VII of the 1964 Civil Rights Act, as amended, 42 U.S.C. §§ 2000e et seq.; Claims for intentional infliction of emotional distress, tortious interference with contract or prospective advantage, and other tort claims; and Claims for breach of express or implied contract; with the exception of Employee's vested rights, if any, under Company retirement plans. Executive hereby warrants that he has not assigned or transferred to any person any portion of any claim that is released, waived and discharged above. Executive understands and agrees that by signing this Agreement he is giving up his right to bring any legal claim against any Released Party concerning, directly or indirectly, Executive's employment relationship with the Company, including his separation from employment, and/or any and all contracts between Executive and Company, express or implied. Executive agrees that this legal release is intended to be interpreted in the broadest possible manner in favor of the Released Parties, to include all actual or potential legal claims that Executive may have against any Released Party, except as specifically provided otherwise in this Agreement. This release does not cover Claims relating to the validity or enforcement of this Agreement. Further, Executive has not released any claim for indemnity or legal defense available to him due to his service as a board member, officer or director of the Company, as provided by the certificate of incorporation or bylaws of the Company, or by any applicable insurance policy, or under any applicable corporate law.

2. Executive agrees and acknowledges that he: (i) understands the language used in this Agreement and the Agreement's legal effect; (ii) understands that by signing this Agreement he is giving up the right to sue the Company for age discrimination; (iii) will receive compensation under this Agreement to which he would not have been entitled without signing this Agreement; (iv) has been advised by Company to consult with an attorney before signing

this Agreement; and (v) was given no less than twenty-one days to consider whether to sign this Agreement. For a period of seven days after the effective date of this Agreement, Executive may, in his sole discretion, rescind this Agreement, by delivering a written notice of rescission to the Board. If Executive rescinds this Agreement within seven calendar days after the effective date, this Agreement shall be void, all actions taken pursuant to this Agreement shall be reversed, and neither this Agreement nor the fact of or circumstances surrounding its execution shall be admissible for any purpose whatsoever in any proceeding between the parties, except in connection with a claim or defense involving the validity or effective rescission of this Agreement. If Executive does not rescind this Agreement within seven calendar days after the Effective Date, this Agreement shall become final and binding and shall be irrevocable.

3. Nothing herein affects Executive's obligations under the Employment Agreement between the Company and the Executive dated October 27, 2020 (the "Employment Agreement") that survive Executive's termination of employment.

4. Capitalized terms not defined herein have the meaning specified in the Employment Agreement.

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is entered into as of October 27, 2020, by and between Noodles & Company, a Delaware corporation (the “Company”), and Brad West, an individual (the “Executive”).

INTRODUCTION

1. The Company wishes to continue to employ the Executive as its Executive Vice President, Operations.
2. The Executive desires to continue to be employed by the Company, pursuant to the terms and conditions set forth herein.

AGREEMENT

In consideration of the premises and mutual promises herein below set forth, the parties hereby agree as follows:

1. Employment Period

The term of the Executive’s employment by the Company pursuant to this Agreement (the “Employment Period”) shall commence on October 27, 2020 (the “Effective Date”) and shall continue until terminated pursuant to Section 5.

2. Employment

(a) Title; Duties. The Executive shall serve as Executive Vice President, Operations of the Company during the Employment Period, and the Executive hereby accepts such employment. The duties assigned and authority granted to the Executive shall be as determined by the Company’s Board of Directors (the “Board”) or the Chief Executive Officer from time to time. The Executive agrees to perform his duties for the Company diligently, competently, and in a good faith manner.

(b) Exclusive Employment. During the Employment Period, the Executive shall devote his full business time to his duties and responsibilities set forth above, and may not, without the prior written consent of the Board or its designee, operate, participate in the management, board of directors, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company); provided, however, that the Executive may (i) engage in civic and charitable activities, (ii) participate in industry associations, deliver lectures or fulfill speaking engagements, and (iii) make and maintain outside personal investments, provided that none of the foregoing activities significantly interfere with the Executive’s performance of his duties hereunder.

3. Compensation

(a) Base Salary. The Executive shall be entitled to receive a base salary from the Company during the Employment Period at the rate of \$306,000.00 per year. The Executive's base salary shall be reviewed annually by the Board or the Compensation Committee of the Board (the "Committee"), and may be increased (but not decreased). The base salary shall be paid in accordance with the Company's payroll procedures as in effect from time-to-time.

(b) Annual Bonus. The Executive shall be eligible to receive an annual bonus (the "Annual Bonus") for each calendar year during the Employment Period in an amount targeted at fifty percent (50%) of the Executive's then-effective annual base salary, contingent upon the Executive achieving certain targeted goals that will be established by the Board or the Committee and prorated for partial years of employment. Any Annual Bonus to which the Executive may be entitled under this Section 3(b) shall be paid in cash in the form of a lump sum as soon as practicable following the completion of the financial audit for the applicable fiscal year, and in no event later than April 30 after the end of the fiscal year to which such Annual Bonus relates. Whether and to what degree the Executive has met the performance goals described in this Section 3(b) shall be determined by the Board in its reasonable discretion in accordance with the applicable bonus/performance goals document for that bonus year described in the first sentence of this Section 3(b).

(c) Equity Grants. Executive shall be eligible to receive equity grants during the Employment Period as determined by the Compensation Committee of the Board in its sole discretion.

4. Other Benefits; Location

(a) Insurance. During the Employment Period, the Executive and the Executive's dependents shall be eligible for coverage under the group insurance plans made available from time to time to Company's executive employees. The premiums for the coverage of the Executive and the Executive's dependents under that plan shall be paid by the Company pursuant to the formula in place for other executive employees covered by Company's group insurance plans.

(b) Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all other savings and retirement plans, practices, policies and programs, in each case on terms and conditions no less favorable than the terms and conditions generally applicable to the Company's other executive employees.

(c) Vacation. During the Employment Period, the Executive shall be entitled to an annual vacation pursuant to the Company's Time Away From Work policy, as in effect from time to time.

(d) Reimbursement of Expenses. The Company shall promptly reimburse the Executive for all reasonable out of pocket travel, entertainment, and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his responsibilities or services under this Agreement upon the submission of appropriate documentation pursuant to the Company's policies in effect from time to time.

5. Termination

(a) Termination by the Company with Cause. Upon written notice to the Executive, the Company may terminate the Executive's employment for Cause (as defined below). In the event that the Executive's employment is terminated for Cause, the Executive shall receive from the Company payments for (i) any and all earned and unpaid portion of his then-effective base salary (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); (ii) any and all unreimbursed business expenses (in accordance with the Company's reimbursement policy); (iii) any and all accrued and unused vacation time through the Date of Termination (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); and (iv) any other benefits the Executive is entitled to receive as of the Date of Termination under the employee benefit plans of the Company, less standard withholdings (items (i) through (iv) are hereafter referred to as "Accrued Benefits"). Except for the Accrued Benefits or as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation of any kind on account of the Executive's termination of employment or to make any payment in lieu of notice to the Executive in the event of a termination pursuant to this Section 5(a). Except as required by law or as otherwise provided herein, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(a).

(b) Termination by the Company Without Cause. The Company may, at any time and without prior written notice, terminate the Executive's employment without Cause. In the event that the Executive's employment with the Company is terminated without Cause, the Executive shall receive the Accrued Benefits and any unpaid portion of the Annual Bonus from a prior year (payable when other senior executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned). In addition, the Executive shall be entitled to receive from the Company the following: (i) severance payments totaling (A) if the termination does not occur during the CIC Protection Period, twelve (12) months of base salary, paid in equal installments according to the Company's regular payroll schedule over the twelve (12) months following the Date of Termination (the "Severance Period"), or (B) if the termination occurs during the CIC Protection Period, twelve (12) months of base salary, paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable, (ii) (A) if the termination does not occur during the CIC Protection Period, a pro rata portion of the Annual Bonus for the year in which the Date of Termination occurs, based on the number of full months employed in such fiscal year and actual performance for such year, paid when other senior executives receive their annual bonuses for such year (and in no event later than March 15 of the year following the year in

which the Date of Termination occurs), or (B) if the termination occurs during the CIC Protection Period, a pro rata Target Bonus (with the proration determined in the same manner as in clause (ii)(A)), paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable; and (iii) a cash payment equal to the “COBRA” premium for Executive’s elected coverage as of the Date of Termination for twelve (12) months, payable in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable. The Executive’s entitlement to the severance payments and benefits in the foregoing sentence is conditioned on (A) the Executive’s executing and delivering to the Company of a release of claims substantially in the form attached hereto as Exhibit A within forty-five (45) days following the Date of Termination, and on such release becoming effective, and (B) the Executive’s continued compliance with the restrictive covenants set forth in Sections 6, 7 and 8; provided, that if such forty-five (45) day period begins in one taxable year and ends in the following taxable year, the payments described in (i) of the preceding sentence shall commence in the second taxable year (and any payments that would have been made in the first taxable year shall be paid in a lump sum at the time payments commence pursuant hereto). Except as specifically provided in this Section 5(b) or in another section of this Agreement, or except as required by law, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(b). For the avoidance of doubt, a Change in Control shall not, standing alone, make the Executive eligible for any severance benefits pursuant to this Section 5(b) or Section 5(c); rather, this Agreement includes a “double-trigger” pursuant to which a termination without Cause or a resignation for Good Reason is a prerequisite for any such benefits following a Change in Control.

(c) Termination by the Executive for Good Reason. The Executive may voluntarily terminate his employment with the Company and receive the severance payments, bonus payments, and other benefits detailed in Section 5(b) following the occurrence of an event constituting Good Reason (as defined below) that has not been cured by the Company within the timeframe specified in the definition of Good Reason.

(d) Voluntary Termination. If the Executive terminates employment with the Company without Good Reason, the Executive agrees to provide the Company with thirty (30) days’ prior written notice. In the event that the Executive’s employment is terminated under this Section 5(d), the Executive shall receive from the Company payment for all Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive on account of the Executive’s termination of employment pursuant to this Section 5(d).

(e) Termination Upon Death or Disability. If the Executive’s employment is terminated as a result of death or Disability prior to the expiration of the Employment Period, the Executive (or the Executive’s estate, or other designated beneficiary(s) as shown in the records of the Company in the case of death) shall be entitled to receive from the Company (i) payment for the Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above and any unpaid portion of the Annual Bonus from a prior year (payable when other senior

executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned), and (ii) a portion of the Annual Bonus that the Executive would have been eligible to receive for days employed by the Company in the year in which the Executive's death or Disability occurs, determined by multiplying (x) the Annual Bonus based on the actual level of achievement of the applicable performance goals for such year, by (y) a fraction, the numerator of which is the number of days up to and including the Date of Termination in the year in which the Date of Termination occurs, and the denominator of which is 365, such amount to be paid in the same time and the same form as the Annual Bonus otherwise would be paid. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive (or the Executive's estate, or other designated beneficiary(s), as applicable) upon a termination of employment by death or Disability.

(f) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

(A) "Cause" shall mean (i) the Executive breaches this Agreement or any material Company policy or procedure that, if curable, is not cured by the Executive to the reasonable satisfaction of the Board within 10 days following the Company notifying the Executive of such breach; (ii) the Executive commits a felony or any other crime involving dishonesty or moral turpitude; (iii) the Executive engages in fraudulent, dishonest or illegal conduct in the performance of services for or on behalf of Company; (iv) the Executive fails to follow lawful directions of the Board or the person to whom the Executive reports; (v) a harassment allegation against the Executive that the Board reasonably determines to be credible; (vi) any willful misconduct or gross negligence by the Executive with respect to his performance of duties for the Company; (vii) the Executive materially violates any material Company policy (including with respect to discrimination, harassment, data security and retaliation); or (viii) the Executive reports to or is present at work under the influence of alcohol or engages in the unlawful use or possession of drugs or illegal drugs (whether or not in the workplace).

(B) "Change in Control" means the occurrence of any of the following events: (i) during any 12-month period, the members of the Board (the "Incumbent Directors") cease for any reason other than due to death or disability to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the members of the Board who are at the time Incumbent Directors shall be considered an Incumbent Director, other than any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; (ii) the acquisition or ownership by any individual, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or any of its affiliates or subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its

Affiliates or Subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (excluding for this purpose any ownership or additional acquisition of Common Stock by any person (or any affiliate thereof) that owns more than 10% of the Common Stock as of the Effective Date); (iii) the merger, consolidation or other similar transaction of the Company, as a result of which the stockholders of the Company immediately prior to such merger, consolidation or other transaction, do not, immediately thereafter, beneficially own, directly or indirectly, more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of the merged, consolidated or other surviving company; or (iv) the sale, transfer or other disposition of all or substantially all of the assets of the Company to one or more persons or entities that are not, immediately prior to such sale, transfer or other disposition, affiliates of the Company. However, a "Change in Control" shall not be deemed to occur if the Company undergoes a bankruptcy, liquidation or reorganization under the United States Bankruptcy Code.

(C) "CIC Protection Period" means the period beginning sixty (60) days prior to a Change in Control and ending twelve (12) months following such Change in Control.

(D) "Date of Termination" shall mean (i) if the Executive is terminated by the Company for Disability, thirty (30) days after written notice of termination is given to the Executive (provided that the Executive shall not have returned to the performance of his duties on a full-time basis during such 30-day period); (ii) if the Executive's employment is terminated by the Company for any other reason, the date on which a written notice of termination is given or such other date specified in the notice, specifying in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment is given, and in the case of termination for Cause, after compliance with the notice and cure provisions in the definition of Cause; (iii) if the Executive terminates employment for Good Reason, the date of the Executive's resignation; provided that the notice and cure provisions in the definition of Good Reason have been complied with; (iv) if the Executive terminates employment for other than a Good Reason, the date specified in the Executive's notice in compliance with Section 5(f); or (v) in the event of the Executive's death, the date of death.

(E) "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness, which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(F) “Good Reason” shall mean, in the absence of written consent of the Executive, (i) the Board requiring the Executive to relocate the Executive’s principal place of employment by more than fifty (50) miles from its location as of the Effective Date (provided that in no event shall “Good Reason” exist under this prong (i) if the new principal place of employment is within fifty (50) miles of the Company’s corporate headquarters in Broomfield, Colorado as of the Effective Date), or (ii) only if occurring during the CIC Protection Period: (A) the Executive’s removal from the position of Executive Vice President, Operations of the Company; (B) a temporary reduction in the annualized base salary or the target Annual Bonus (other than temporary reductions of no more than 10% in connection with such reductions applicable to other senior executives of the Company); or (C) a material breach by the Company of this Agreement.

If circumstances arise giving the Executive the right to terminate this Agreement for Good Reason, the Executive must within thirty (30) days notify the Company in writing of the existence of such circumstances, describing such circumstances with particularity and specifically citing this Section 5(f)(F), and the Company shall have thirty (30) days from receipt of such notice within which to investigate and remedy any such circumstances; if such circumstances exist and are not remedied within such 30-day period, then Executive shall thereafter have a period of thirty (30) days within which to exercise the right to terminate for Good Reason. If the Executive does not timely do so the right to terminate for Good Reason shall lapse and be deemed waived, and the Executive shall not thereafter have the right to terminate for Good Reason unless further circumstances occur giving rise independently to a right to terminate for Good Reason under this Section 5(f)(F).

(g) Notice of Termination. Any termination of the Executive’s employment by the Company or by the Executive under this Section 5 (other than in the case of death) shall be communicated by a written notice (the “Notice of Termination”) to the other party hereto, indicating the specific termination provision in this Agreement relied upon, setting forth as appropriate in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and specifying a Date of Termination which notice shall be delivered within the time periods set forth in the various subsections of this Section 5, as applicable (the “Notice Period”); provided, however, that the Company may pay to the Executive all base salary, benefits and other rights due to the Executive during the Notice Period instead of employing the Executive during such Notice Period.

(h) Resignation from All Positions. Upon the Executive’s termination of employment for any reason, the Executive shall immediately resign from all other positions with the Company and its affiliates (including, to the extent applicable, as a member of the Board).

6. Non-Competition; General Provisions Applicable to Restrictive Covenants

(a) Covenant not to Compete. For the duration of the Employment Period and for six (6) months thereafter, the Executive shall not, directly or indirectly, own any interest in, manage, control, participate in, consult with, advise, render services for, or be employed in an executive, managerial or administrative capacity by (i) any entity engaged in the fast or quick-casual restaurant business or (ii) any other entity that engages in or plans to engage in a business that directly competes with the business of the Company, in each case within North America (a "Competing Business"). Nothing herein shall prohibit the Executive from being a passive owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Executive has no active participation in the business of such corporation.

(b) Specific Performance. The Executive recognizes and agrees that a violation by him of his obligations under this Section 6, or under Section 7, or subparts (a) or (d) of Section 8 may cause irreparable harm to the Company that would be difficult to quantify and that money damages may be inadequate. As such, the Executive agrees that the Company shall have the right to seek injunctive relief (in addition to, and not in lieu of any other right or remedy that may be available to it) to prevent or restrain any such alleged violation without the necessity of posting a bond or other security and without the necessity of proving actual damages. However, the foregoing shall not prevent the Executive from contesting the Company's request for the issuance of any such injunction on the grounds that no violation or threatened violation of the aforementioned Sections has occurred and that the Company has not suffered irreparable harm. If a court of competent jurisdiction determines that the Executive has violated the obligations of any covenant for a particular duration, then the Executive agrees that such covenant will be extended by that duration.

(c) Scope and Duration of Restrictions. The Executive expressly agrees that the character, duration and geographical scope of the restrictions imposed under this Section 6, and under Section 7, and all of Section 8 are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a determination nonetheless be made by a court of competent jurisdiction at a later date that the character, duration or geographical scope of any of the covenants contained herein is unreasonable in light of the circumstances as they then exist, then it is the intention of both the Executive and the Company that such covenant shall be construed by the court in such a manner as to impose only those restrictions on the conduct of the Executive which are reasonable in light of the circumstances as they then exist and necessary to assure the Company of the intended benefit of such covenant.

7. Confidentiality Covenants

The Executive acknowledges that the confidential business information generated by the Company and its subsidiaries, whether such information is written, oral or graphic, including, but not limited to, financial plans and records, marketing plans, business strategies and relationships with third parties, present and proposed products, present and proposed patent applications, trade secrets, information regarding customers and suppliers, strategic planning and systems and contractual terms obtained by the Executive while employed by the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary of the Company

(collectively, the “Confidential Information”) is the property of the Company or such subsidiary. The Executive agrees that he shall not disclose to any Person or use for the Executive’s own purposes any Confidential Information or any confidential or proprietary information of other persons in the possession of the Company and its subsidiaries (“Third Party Information”), without the prior written consent of the Board, unless and to the extent that (i) the Confidential Information or Third Party Information becomes generally known to and available for use by the public, other than as a result of the Executive’s acts or omissions or (ii) the disclosure of such Confidential Information is required by law, in which case the Executive shall give notice to and the opportunity to the Company to comment on the form of the disclosure and only the portion of Confidential Information that is required to be disclosed by law shall be disclosed. In addition, nothing in this Section 7 or any other provision of this Agreement prohibits the Executive from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of federal law or regulation.

Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company or any of its subsidiaries that—(i) is made—(A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive’s attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company or any of its subsidiaries for reporting a suspected violation of law, Executive may disclose the trade secret to the Executive’s attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret except under court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

Nothing in the Agreement shall prohibit or restrict the Company or any of its subsidiaries, Executive or their respective attorneys from: (i) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to Executive’s employment, or as required by law or legal process, including with respect to possible violations of law; (ii) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (iii) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts the Company or any of its subsidiaries or Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

8. Other Covenants

(a) Non-Solicitation. For the duration of the Employment Period and for twelve (12) months thereafter, other than in the course of performing his duties, the Executive shall not, directly or indirectly through another person, induce or attempt to induce any employee of the Company or any of its subsidiaries (other than restaurant-level employees who are not

managers) to leave the employ of the Company or such subsidiary, or in any way interfere with the relationship between the Company or any of its subsidiaries and any such employee.

(b) **Compliance with Company Policies.** The Executive agrees that, during the Employment Period, he shall comply in all material respects with the Company's employee manual and other policies and procedures reasonably established by the Company from time to time, including but not limited to policies addressing matters such as management, supervision, recruiting and diversity.

(c) **Cooperation.** For a period of eighteen (18) months following the end of the Employment Period, the Executive shall, upon the Company's reasonable request and in good faith and with the Executive's commercially reasonable efforts and subject to the Executive's reasonable availability, cooperate and assist the Company in any dispute, controversy, or litigation in which the Company may be involved and with respect to which the Executive obtained knowledge while employed by the Company or any of its affiliates, successors, or assigns, including, but not limited to, participation in any court or arbitration proceedings, giving of testimony, signing of affidavits, or such other personal cooperation as counsel for the Company shall request. Any such activities shall be scheduled, to the extent reasonably possible, to accommodate the Executive's business and personal obligations at the time. The Company shall pay the Executive's reasonable travel and incidental out-of-pocket expenses incurred in connection with any such cooperation.

(d) **Return of Business Records and Equipment.** Upon termination of the Executive's employment hereunder, the Executive shall promptly return to the Company: (i) all documents, records, procedures, books, notebooks, and any other documentation in any form whatsoever, including but not limited to written, audio, video or electronic, containing any information pertaining to the Company which includes Confidential Information, including any and all copies of such documentation then in the Executive's possession or control regardless of whether such documentation was prepared or compiled by the Executive, Company, other employees of the Company, representatives, agents, or independent contractors, and (ii) all equipment or tangible personal property entrusted to the Executive by the Company. The Executive acknowledges that all such documentation, copies of such documentation, equipment, and tangible personal property are and shall at all times remain the sole and exclusive property of the Company.

9. **Nondisparagement.** During the Executive's employment with the Company and thereafter, the Executive agrees, to the fullest extent permissible by law, not to make, directly or indirectly, any public or private statements, gestures, signs, signals or other verbal or nonverbal, direct or indirect communications that the Executive, using reasonable judgment, should have known would be harmful to or reflect negatively on the Company or are otherwise disparaging of the Company or its past, present or future officers, board members, employees, shareholders, and their affiliates. Nothing in this Section 9 shall prohibit either party from truthfully responding to an accusation from the other party or require either party to violate any subpoena or law.

10. **Governing Law.** This Agreement and any disputes or controversies arising hereunder shall be construed and enforced in accordance with and governed by the internal laws

of the State of Colorado, without reference to principles of law that would apply the substantive law of another jurisdiction.

11. **Entire Agreement.** This Agreement, together with the agreements granting to the Executive the stock options specified in Section 3(c), constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supersedes and cancels any and all previous agreements, written and oral, regarding the subject matter hereof. This Agreement shall not be changed, altered, modified or amended, except by a written agreement that (i) explicitly states the intent of both parties hereto to supplement this Agreement and (ii) is signed by both parties hereto.

12. **Notices.** All notices, requests, demands and other communications called for or contemplated hereunder shall be in writing and shall be deemed to have been sufficiently given if personally delivered or if sent by registered or certified mail, return receipt requested to the parties, their successors in interest, or their assignees at the following addresses, or at such other addresses as the parties may designate by written notice in the manner aforesaid, and shall be deemed received upon actual receipt:

(a) to the Company at:

Noodles & Company
520 Zang Street, Suite D
Broomfield, CO 80021
Fax: (720) 214-1921
Attention: General Counsel

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166
Attention: Steven Shoemate, Esq.
Facsimile: (212) 351-5316

(b) to the Executive at the address reflected in the Company's payroll records

13. **Severability.** If any term or provision of this Agreement, or the application thereof to any person or under any circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such terms to the persons or under circumstances other than those as to which it is invalid or unenforceable, shall be considered severable and shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. **Waiver.** The failure of any party to insist in any one instance or more upon strict performance of any of the terms and conditions hereof, or to exercise any right or privilege herein conferred, shall not be construed as a waiver of such terms, conditions, rights or

privileges, but same shall continue to remain in full force and effect. Any waiver by any party of any violation of, breach of or default under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

15. **Successors and Assigns.** This Agreement shall be binding upon the Company and any successors and assigns of the Company, including any corporation with which, or into which, the Company may be merged or which may succeed to the Company's assets or business. In the event that the Company sells or transfers all or substantially all of the assets of the Company, or in the event of any merger or consolidation of the Company, the Company shall use reasonable efforts to cause such assignee, transferee, or successor to assume the liabilities, obligations and duties of the Company hereunder. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive; provided, however, that this provision shall not preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable after his death and shall not preclude his executor or administrator from assigning any right hereunder to the person or persons entitled hereto.

16. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

17. **Headings.** Headings in this Agreement are for reference only and shall not be deemed to have any substantive effect.

18. **Opportunity to Seek Advice; Warranties and Representations.** The Executive acknowledges and confirms that he has had the opportunity to seek such legal, financial and other advice and representation as he has deemed appropriate in connection with this Agreement. The Executive hereby represents and warrants to the Company that he is not under any obligation of a contractual or quasi-contractual nature known to him that is inconsistent or in conflict with this Agreement or that would prevent, limit or impair the performance by the Executive of his obligations hereunder.

19. **Withholdings.** All salary, severance payments, bonuses or benefits provided by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

20. **Section 409A.** The parties intend that any compensation, benefits and other amounts payable or provided to the Executive under this Agreement be paid or provided in compliance with Section 409A of the Internal Revenue Code and all regulations, guidance, and other interpretative authority issued thereunder (collectively, "Section 409A") such that there will be no adverse tax consequences, interest, or penalties for the Executive under Section 409A as a result of the payments and benefits so paid or provided to him. The parties agree to modify this Agreement, or the timing (but not the amount) of the payment hereunder of severance or other compensation, or both, to the extent necessary to comply with and to the extent permissible under Section 409A. In addition, notwithstanding anything to the contrary contained in any

other provision of this Agreement, the payments and benefits to be provided the Executive under this Agreement shall be subject to the provisions set forth below.

(a) The date of the Executive's "separation from service," as defined in the regulations issued under Section 409A, shall be treated as Executive's Date of Termination for purpose of determining the time of payment of any amount that becomes payable to the Executive pursuant to Section 5 hereof upon the termination of his employment and that is treated as an amount of deferred compensation for purposes of Section 409A.

(b) In the case of any amounts that are payable to the Executive under this Agreement, or under any other "nonqualified deferred compensation plan" (within the meaning of Section 409A) maintained by the Company in the form of installment payments, (i) the Executive's right to receive such payments shall be treated as a right to receive a series of separate payments under Treas. Reg. §1.409A-2(b)(2)(iii), and (ii) to the extent any such plan does not already so provide, it is hereby amended as of the date hereof to so provide, with respect to amounts payable to the Executive thereunder.

(c) If the Executive is a "specified employee" within the meaning of Section 409A at the time of his "separation from service" within the meaning of Section 409A, then any payment otherwise required to be made to him under this Agreement on account of his separation from service, to the extent such payment (after taking in to account all exclusions applicable to such payment under Section 409A) is properly treated as deferred compensation subject to Section 409A, shall not be made until the first business day after (i) the expiration of six months from the date of the Executive's separation from service, or (ii) if earlier, the date of the Executive's death (the "Delayed Payment Date"). On the Delayed Payment Date, there shall be paid to the Executive or, if the Executive has died, to the Executive's estate, in a single cash lump sum, an amount equal to aggregate amount of the payments delayed pursuant to the preceding sentence.

(d) To the extent that the reimbursement of any expenses or the provision of any in-kind benefits pursuant to this Agreement is subject to Section 409A, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided hereunder during any one calendar year shall not affect the amount of such expenses eligible for reimbursement or in-kind benefits to be provided hereunder in any other calendar year; provided, however, that the foregoing shall not apply to any limit on the amount of any expenses incurred by the Executive that may be reimbursed or paid under the terms of the Company's medical plan, if such limit is imposed on all similarly situated participants in such plan; (ii) all such expenses eligible for reimbursement hereunder shall be paid to the Executive as soon as administratively practicable after any documentation required for reimbursement for such expenses has been submitted, but in any event by no later than December 31 of the calendar year following the calendar year in which such expenses were incurred; and (iii) the Executive's right to receive any such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

[The next page is the signature page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

NOODLES & COMPANY
a Delaware corporation

By: /s/ Dave Boennighausen
DAVE BOENNIGHAUSEN

EXECUTIVE:

/s/ BRAD WEST
Brad West

[Signature Page to Employment Agreement]

Exhibit A

RELEASE AGREEMENT

1. Executive, individually and on behalf of his heirs and assigns, hereby releases, waives and discharges Company, and all subsidiary, parent or affiliated companies and corporations, and their present, former or future respective subsidiary, parent or affiliated companies or corporations, and their respective present or former directors, officers, shareholders, trustees, managers, supervisors, employees, partners, attorneys, agents, representatives and insurers, and the respective successors, heirs and assigns of any of the above described persons or entities (hereinafter referred to collectively as "Released Parties"), from any and all claims, causes of action, losses, damages, costs, and liabilities of every kind and character, whether known or unknown ("Claims"), that Executive may have or claim to have, in any way relating to or arising out of, in whole or in part, (a) any event or act of omission or commission occurring on or before the Date of Termination, including Claims arising by reason of the continued effects of any such events or acts, which occurred on or before the Date of Termination, or (b) Executive's employment with Company or the termination of such employment with Company, including but not limited to Claims arising under federal, state, or local laws prohibiting disability, handicap, age, sex, race, national origin, religion, retaliation, or any other form of discrimination, such as the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. §§ 621 et seq.; and Title VII of the 1964 Civil Rights Act, as amended, 42 U.S.C. §§ 2000e et seq.; Claims for intentional infliction of emotional distress, tortious interference with contract or prospective advantage, and other tort claims; and Claims for breach of express or implied contract; with the exception of Employee's vested rights, if any, under Company retirement plans. Executive hereby warrants that he has not assigned or transferred to any person any portion of any claim that is released, waived and discharged above. Executive understands and agrees that by signing this Agreement he is giving up his right to bring any legal claim against any Released Party concerning, directly or indirectly, Executive's employment relationship with the Company, including his separation from employment, and/or any and all contracts between Executive and Company, express or implied. Executive agrees that this legal release is intended to be interpreted in the broadest possible manner in favor of the Released Parties, to include all actual or potential legal claims that Executive may have against any Released Party, except as specifically provided otherwise in this Agreement. This release does not cover Claims relating to the validity or enforcement of this Agreement. Further, Executive has not released any claim for indemnity or legal defense available to him due to his service as a board member, officer or director of the Company, as provided by the certificate of incorporation or bylaws of the Company, or by any applicable insurance policy, or under any applicable corporate law.

2. Executive agrees and acknowledges that he: (i) understands the language used in this Agreement and the Agreement's legal effect; (ii) understands that by signing this Agreement he is giving up the right to sue the Company for age discrimination; (iii) will receive compensation under this Agreement to which he would not have been entitled without signing this Agreement; (iv) has been advised by Company to consult with an attorney before signing

this Agreement; and (v) was given no less than twenty-one days to consider whether to sign this Agreement. For a period of seven days after the effective date of this Agreement, Executive may, in his sole discretion, rescind this Agreement, by delivering a written notice of rescission to the Board. If Executive rescinds this Agreement within seven calendar days after the effective date, this Agreement shall be void, all actions taken pursuant to this Agreement shall be reversed, and neither this Agreement nor the fact of or circumstances surrounding its execution shall be admissible for any purpose whatsoever in any proceeding between the parties, except in connection with a claim or defense involving the validity or effective rescission of this Agreement. If Executive does not rescind this Agreement within seven calendar days after the Effective Date, this Agreement shall become final and binding and shall be irrevocable.

3. Nothing herein affects Executive's obligations under the Employment Agreement between the Company and the Executive dated October 27, 2020 (the "Employment Agreement") that survive Executive's termination of employment.

4. Capitalized terms not defined herein have the meaning specified in the Employment Agreement.

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is entered into as of October 27, 2020, by and between Noodles & Company, a Delaware corporation (the “Company”), and Stacey Pool, an individual (the “Executive”).

INTRODUCTION

1. The Company wishes to continue to employ the Executive as its Chief Marketing Officer.
2. The Executive desires to continue to be employed by the Company, pursuant to the terms and conditions set forth herein.

AGREEMENT

In consideration of the premises and mutual promises herein below set forth, the parties hereby agree as follows:

1. Employment Period

The term of the Executive’s employment by the Company pursuant to this Agreement (the “Employment Period”) shall commence on October 27, 2020 (the “Effective Date”) and shall continue until terminated pursuant to Section 5.

2. Employment

(a) Title; Duties. The Executive shall serve as Chief Marketing Officer of the Company during the Employment Period, and the Executive hereby accepts such employment. The duties assigned and authority granted to the Executive shall be as determined by the Company’s Board of Directors (the “Board”) or the Chief Executive Officer from time to time. The Executive agrees to perform her duties for the Company diligently, competently, and in a good faith manner.

(b) Exclusive Employment. During the Employment Period, the Executive shall devote her full business time to her duties and responsibilities set forth above, and may not, without the prior written consent of the Board or its designee, operate, participate in the management, board of directors, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company); provided, however, that the Executive may (i) engage in civic and charitable activities, (ii) participate in industry associations, deliver lectures or fulfill speaking engagements, and (iii) make and maintain outside personal investments, provided that none of the foregoing activities significantly interfere with the Executive’s performance of her duties hereunder.

3. Compensation

(a) Base Salary. The Executive shall be entitled to receive a base salary from the Company during the Employment Period at the rate of \$325,000.00 per year. The Executive's base salary shall be reviewed annually by the Board or the Compensation Committee of the Board (the "Committee"), and may be increased (but not decreased). The base salary shall be paid in accordance with the Company's payroll procedures as in effect from time-to-time.

(b) Annual Bonus. The Executive shall be eligible to receive an annual bonus (the "Annual Bonus") for each calendar year during the Employment Period in an amount targeted at sixty percent (60%) of the Executive's then-effective annual base salary, contingent upon the Executive achieving certain targeted goals that will be established by the Board or the Committee and prorated for partial years of employment. Any Annual Bonus to which the Executive may be entitled under this Section 3(b) shall be paid in cash in the form of a lump sum as soon as practicable following the completion of the financial audit for the applicable fiscal year, and in no event later than April 30 after the end of the fiscal year to which such Annual Bonus relates. Whether and to what degree the Executive has met the performance goals described in this Section 3(b) shall be determined by the Board in its reasonable discretion in accordance with the applicable bonus/performance goals document for that bonus year described in the first sentence of this Section 3(b).

(c) Equity Grants. Executive shall be eligible to receive equity grants during the Employment Period as determined by the Compensation Committee of the Board in its sole discretion.

4. Other Benefits; Location

(a) Insurance. During the Employment Period, the Executive and the Executive's dependents shall be eligible for coverage under the group insurance plans made available from time to time to Company's executive employees. The premiums for the coverage of the Executive and the Executive's dependents under that plan shall be paid by the Company pursuant to the formula in place for other executive employees covered by Company's group insurance plans.

(b) Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all other savings and retirement plans, practices, policies and programs, in each case on terms and conditions no less favorable than the terms and conditions generally applicable to the Company's other executive employees.

(c) Vacation. During the Employment Period, the Executive shall be entitled to an annual vacation pursuant to the Company's Time Away From Work policy, as in effect from time to time.

(d) Reimbursement of Expenses. The Company shall promptly reimburse the Executive for all reasonable out of pocket travel, entertainment, and other expenses incurred or paid by the Executive in connection with, or related to, the performance of her responsibilities or services under this Agreement upon the submission of appropriate documentation pursuant to the Company's policies in effect from time to time.

5. Termination

(a) Termination by the Company with Cause. Upon written notice to the Executive, the Company may terminate the Executive's employment for Cause (as defined below). In the event that the Executive's employment is terminated for Cause, the Executive shall receive from the Company payments for (i) any and all earned and unpaid portion of her then-effective base salary (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); (ii) any and all unreimbursed business expenses (in accordance with the Company's reimbursement policy); (iii) any and all accrued and unused vacation time through the Date of Termination (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); and (iv) any other benefits the Executive is entitled to receive as of the Date of Termination under the employee benefit plans of the Company, less standard withholdings (items (i) through (iv) are hereafter referred to as "Accrued Benefits"). Except for the Accrued Benefits or as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation of any kind on account of the Executive's termination of employment or to make any payment in lieu of notice to the Executive in the event of a termination pursuant to this Section 5(a). Except as required by law or as otherwise provided herein, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(a).

(b) Termination by the Company Without Cause. The Company may, at any time and without prior written notice, terminate the Executive's employment without Cause. In the event that the Executive's employment with the Company is terminated without Cause, the Executive shall receive the Accrued Benefits and any unpaid portion of the Annual Bonus from a prior year (payable when other senior executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned). In addition, the Executive shall be entitled to receive from the Company the following: (i) severance payments totaling (A) if the termination does not occur during the CIC Protection Period, twelve (12) months of base salary, paid in equal installments according to the Company's regular payroll schedule over the twelve (12) months following the Date of Termination (the "Severance Period"), or (B) if the termination occurs during the CIC Protection Period, twelve (12) months of base salary, paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable, (ii) (A) if the termination does not occur during the CIC Protection Period, a pro rata portion of the Annual Bonus for the year in which the Date of Termination occurs, based on the number of full months employed in such fiscal year and actual performance for such year, paid when other senior executives receive their annual bonuses for such year (and in no event later than March 15 of the year following the year in

which the Date of Termination occurs), or (B) if the termination occurs during the CIC Protection Period, a pro rata Target Bonus (with the proration determined in the same manner as in clause (ii)(A)), paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable; and (iii) a cash payment equal to the “COBRA” premium for Executive’s elected coverage as of the Date of Termination for twelve (12) months, payable in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable. The Executive’s entitlement to the severance payments and benefits in the foregoing sentence is conditioned on (A) the Executive’s executing and delivering to the Company of a release of claims substantially in the form attached hereto as Exhibit A within forty-five (45) days following the Date of Termination, and on such release becoming effective, and (B) the Executive’s continued compliance with the restrictive covenants set forth in Sections 6, 7 and 8; provided, that if such forty-five (45) day period begins in one taxable year and ends in the following taxable year, the payments described in (i) of the preceding sentence shall commence in the second taxable year (and any payments that would have been made in the first taxable year shall be paid in a lump sum at the time payments commence pursuant hereto). Except as specifically provided in this Section 5(b) or in another section of this Agreement, or except as required by law, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(b). For the avoidance of doubt, a Change in Control shall not, standing alone, make the Executive eligible for any severance benefits pursuant to this Section 5(b) or Section 5(c); rather, this Agreement includes a “double-trigger” pursuant to which a termination without Cause or a resignation for Good Reason is a prerequisite for any such benefits following a Change in Control.

(c) Termination by the Executive for Good Reason. The Executive may voluntarily terminate her employment with the Company and receive the severance payments, bonus payments, and other benefits detailed in Section 5(b) following the occurrence of an event constituting Good Reason (as defined below) that has not been cured by the Company within the timeframe specified in the definition of Good Reason.

(d) Voluntary Termination. If the Executive terminates employment with the Company without Good Reason, the Executive agrees to provide the Company with thirty (30) days’ prior written notice. In the event that the Executive’s employment is terminated under this Section 5(d), the Executive shall receive from the Company payment for all Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive on account of the Executive’s termination of employment pursuant to this Section 5(d).

(e) Termination Upon Death or Disability. If the Executive’s employment is terminated as a result of death or Disability prior to the expiration of the Employment Period, the Executive (or the Executive’s estate, or other designated beneficiary(s) as shown in the records of the Company in the case of death) shall be entitled to receive from the Company (i) payment for the Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above and any unpaid portion of the Annual Bonus from a prior year (payable when other senior

executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned), and (ii) a portion of the Annual Bonus that the Executive would have been eligible to receive for days employed by the Company in the year in which the Executive's death or Disability occurs, determined by multiplying (x) the Annual Bonus based on the actual level of achievement of the applicable performance goals for such year, by (y) a fraction, the numerator of which is the number of days up to and including the Date of Termination in the year in which the Date of Termination occurs, and the denominator of which is 365, such amount to be paid in the same time and the same form as the Annual Bonus otherwise would be paid. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive (or the Executive's estate, or other designated beneficiary(s), as applicable) upon a termination of employment by death or Disability.

(f) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

(A) "Cause" shall mean (i) the Executive breaches this Agreement or any material Company policy or procedure that, if curable, is not cured by the Executive to the reasonable satisfaction of the Board within 10 days following the Company notifying the Executive of such breach; (ii) the Executive commits a felony or any other crime involving dishonesty or moral turpitude; (iii) the Executive engages in fraudulent, dishonest or illegal conduct in the performance of services for or on behalf of Company; (iv) the Executive fails to follow lawful directions of the Board or the person to whom the Executive reports; (v) a harassment allegation against the Executive that the Board reasonably determines to be credible; (vi) any willful misconduct or gross negligence by the Executive with respect to her performance of duties for the Company; (vii) the Executive materially violates any material Company policy (including with respect to discrimination, harassment, data security and retaliation); or (viii) the Executive reports to or is present at work under the influence of alcohol or engages in the unlawful use or possession of drugs or illegal drugs (whether or not in the workplace).

(B) "Change in Control" means the occurrence of any of the following events: (i) during any 12-month period, the members of the Board (the "Incumbent Directors") cease for any reason other than due to death or disability to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the members of the Board who are at the time Incumbent Directors shall be considered an Incumbent Director, other than any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; (ii) the acquisition or ownership by any individual, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or any of its affiliates or subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its

Affiliates or Subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (excluding for this purpose any ownership or additional acquisition of Common Stock by any person (or any affiliate thereof) that owns more than 10% of the Common Stock as of the Effective Date); (iii) the merger, consolidation or other similar transaction of the Company, as a result of which the stockholders of the Company immediately prior to such merger, consolidation or other transaction, do not, immediately thereafter, beneficially own, directly or indirectly, more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of the merged, consolidated or other surviving company; or (iv) the sale, transfer or other disposition of all or substantially all of the assets of the Company to one or more persons or entities that are not, immediately prior to such sale, transfer or other disposition, affiliates of the Company. However, a "Change in Control" shall not be deemed to occur if the Company undergoes a bankruptcy, liquidation or reorganization under the United States Bankruptcy Code.

(C) "CIC Protection Period" means the period beginning sixty (60) days prior to a Change in Control and ending twelve (12) months following such Change in Control.

(D) "Date of Termination" shall mean (i) if the Executive is terminated by the Company for Disability, thirty (30) days after written notice of termination is given to the Executive (provided that the Executive shall not have returned to the performance of her duties on a full-time basis during such 30-day period); (ii) if the Executive's employment is terminated by the Company for any other reason, the date on which a written notice of termination is given or such other date specified in the notice, specifying in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment is given, and in the case of termination for Cause, after compliance with the notice and cure provisions in the definition of Cause; (iii) if the Executive terminates employment for Good Reason, the date of the Executive's resignation; provided that the notice and cure provisions in the definition of Good Reason have been complied with; (iv) if the Executive terminates employment for other than a Good Reason, the date specified in the Executive's notice in compliance with Section 5(f); or (v) in the event of the Executive's death, the date of death.

(E) "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness, which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(F) “Good Reason” shall mean, in the absence of written consent of the Executive, (i) the Board requiring the Executive to relocate the Executive’s principal place of employment by more than fifty (50) miles from its location as of the Effective Date (provided that in no event shall “Good Reason” exist under this prong (i) if the new principal place of employment is within fifty (50) miles of the Company’s corporate headquarters in Broomfield, Colorado as of the Effective Date), or (ii) only if occurring during the CIC Protection Period: (A) the Executive’s removal from the position of Chief Marketing Officer of the Company; (B) a temporary reduction in the annualized base salary or the target Annual Bonus (other than temporary reductions of no more than 10% in connection with such reductions applicable to other senior executives of the Company); or (C) a material breach by the Company of this Agreement.

If circumstances arise giving the Executive the right to terminate this Agreement for Good Reason, the Executive must within thirty (30) days notify the Company in writing of the existence of such circumstances, describing such circumstances with particularity and specifically citing this Section 5(f)(F), and the Company shall have thirty (30) days from receipt of such notice within which to investigate and remedy any such circumstances; if such circumstances exist and are not remedied within such 30-day period, then Executive shall thereafter have a period of thirty (30) days within which to exercise the right to terminate for Good Reason. If the Executive does not timely do so the right to terminate for Good Reason shall lapse and be deemed waived, and the Executive shall not thereafter have the right to terminate for Good Reason unless further circumstances occur giving rise independently to a right to terminate for Good Reason under this Section 5(f)(F).

(g) Notice of Termination. Any termination of the Executive’s employment by the Company or by the Executive under this Section 5 (other than in the case of death) shall be communicated by a written notice (the “Notice of Termination”) to the other party hereto, indicating the specific termination provision in this Agreement relied upon, setting forth as appropriate in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and specifying a Date of Termination which notice shall be delivered within the time periods set forth in the various subsections of this Section 5, as applicable (the “Notice Period”); provided, however, that the Company may pay to the Executive all base salary, benefits and other rights due to the Executive during the Notice Period instead of employing the Executive during such Notice Period.

(h) Resignation from All Positions. Upon the Executive’s termination of employment for any reason, the Executive shall immediately resign from all other positions with the Company and its affiliates (including, to the extent applicable, as a member of the Board).

6. Non-Competition; General Provisions Applicable to Restrictive Covenants

(a) Covenant not to Compete. For the duration of the Employment Period and for six (6) months thereafter, the Executive shall not, directly or indirectly, own any interest in,

manage, control, participate in, consult with, advise, render services for, or be employed in an executive, managerial or administrative capacity by (i) any entity engaged in the fast or quick-casual restaurant business or (ii) any other entity that engages in or plans to engage in a business that directly competes with the business of the Company, in each case within North America (a “Competing Business”). Nothing herein shall prohibit the Executive from being a passive owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Executive has no active participation in the business of such corporation.

(b) Specific Performance. The Executive recognizes and agrees that a violation by him of her obligations under this Section 6, or under Section 7, or subparts (a) or (d) of Section 8 may cause irreparable harm to the Company that would be difficult to quantify and that money damages may be inadequate. As such, the Executive agrees that the Company shall have the right to seek injunctive relief (in addition to, and not in lieu of any other right or remedy that may be available to it) to prevent or restrain any such alleged violation without the necessity of posting a bond or other security and without the necessity of proving actual damages. However, the foregoing shall not prevent the Executive from contesting the Company’s request for the issuance of any such injunction on the grounds that no violation or threatened violation of the aforementioned Sections has occurred and that the Company has not suffered irreparable harm. If a court of competent jurisdiction determines that the Executive has violated the obligations of any covenant for a particular duration, then the Executive agrees that such covenant will be extended by that duration.

(c) Scope and Duration of Restrictions. The Executive expressly agrees that the character, duration and geographical scope of the restrictions imposed under this Section 6, and under Section 7, and all of Section 8 are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a determination nonetheless be made by a court of competent jurisdiction at a later date that the character, duration or geographical scope of any of the covenants contained herein is unreasonable in light of the circumstances as they then exist, then it is the intention of both the Executive and the Company that such covenant shall be construed by the court in such a manner as to impose only those restrictions on the conduct of the Executive which are reasonable in light of the circumstances as they then exist and necessary to assure the Company of the intended benefit of such covenant.

7. Confidentiality Covenants

The Executive acknowledges that the confidential business information generated by the Company and its subsidiaries, whether such information is written, oral or graphic, including, but not limited to, financial plans and records, marketing plans, business strategies and relationships with third parties, present and proposed products, present and proposed patent applications, trade secrets, information regarding customers and suppliers, strategic planning and systems and contractual terms obtained by the Executive while employed by the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary of the Company (collectively, the “Confidential Information”) is the property of the Company or such subsidiary. The Executive agrees that she shall not disclose to any Person or use for the Executive’s own

purposes any Confidential Information or any confidential or proprietary information of other persons in the possession of the Company and its subsidiaries (“Third Party Information”), without the prior written consent of the Board, unless and to the extent that (i) the Confidential Information or Third Party Information becomes generally known to and available for use by the public, other than as a result of the Executive’s acts or omissions or (ii) the disclosure of such Confidential Information is required by law, in which case the Executive shall give notice to and the opportunity to the Company to comment on the form of the disclosure and only the portion of Confidential Information that is required to be disclosed by law shall be disclosed. In addition, nothing in this Section 7 or any other provision of this Agreement prohibits the Executive from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of federal law or regulation.

Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company or any of its subsidiaries that—(i) is made—(A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive’s attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company or any of its subsidiaries for reporting a suspected violation of law, Executive may disclose the trade secret to the Executive’s attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret except under court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

Nothing in the Agreement shall prohibit or restrict the Company or any of its subsidiaries, Executive or their respective attorneys from: (i) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to Executive’s employment, or as required by law or legal process, including with respect to possible violations of law; (ii) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (iii) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts the Company or any of its subsidiaries or Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

8. Other Covenants

(a) Non-Solicitation. For the duration of the Employment Period and for twelve (12) months thereafter, other than in the course of performing her duties, the Executive shall not, directly or indirectly through another person, induce or attempt to induce any employee of the Company or any of its subsidiaries (other than restaurant-level employees who are not managers) to leave the employ of the Company or such subsidiary, or in any way interfere with the relationship between the Company or any of its subsidiaries and any such employee.

(b) **Compliance with Company Policies.** The Executive agrees that, during the Employment Period, she shall comply in all material respects with the Company's employee manual and other policies and procedures reasonably established by the Company from time to time, including but not limited to policies addressing matters such as management, supervision, recruiting and diversity.

(c) **Cooperation.** For a period of eighteen (18) months following the end of the Employment Period, the Executive shall, upon the Company's reasonable request and in good faith and with the Executive's commercially reasonable efforts and subject to the Executive's reasonable availability, cooperate and assist the Company in any dispute, controversy, or litigation in which the Company may be involved and with respect to which the Executive obtained knowledge while employed by the Company or any of its affiliates, successors, or assigns, including, but not limited to, participation in any court or arbitration proceedings, giving of testimony, signing of affidavits, or such other personal cooperation as counsel for the Company shall request. Any such activities shall be scheduled, to the extent reasonably possible, to accommodate the Executive's business and personal obligations at the time. The Company shall pay the Executive's reasonable travel and incidental out-of-pocket expenses incurred in connection with any such cooperation.

(d) **Return of Business Records and Equipment.** Upon termination of the Executive's employment hereunder, the Executive shall promptly return to the Company: (i) all documents, records, procedures, books, notebooks, and any other documentation in any form whatsoever, including but not limited to written, audio, video or electronic, containing any information pertaining to the Company which includes Confidential Information, including any and all copies of such documentation then in the Executive's possession or control regardless of whether such documentation was prepared or compiled by the Executive, Company, other employees of the Company, representatives, agents, or independent contractors, and (ii) all equipment or tangible personal property entrusted to the Executive by the Company. The Executive acknowledges that all such documentation, copies of such documentation, equipment, and tangible personal property are and shall at all times remain the sole and exclusive property of the Company.

9. **Nondisparagement.** During the Executive's employment with the Company and thereafter, the Executive agrees, to the fullest extent permissible by law, not to make, directly or indirectly, any public or private statements, gestures, signs, signals or other verbal or nonverbal, direct or indirect communications that the Executive, using reasonable judgment, should have known would be harmful to or reflect negatively on the Company or are otherwise disparaging of the Company or its past, present or future officers, board members, employees, shareholders, and their affiliates. Nothing in this Section 9 shall prohibit either party from truthfully responding to an accusation from the other party or require either party to violate any subpoena or law.

10. **Governing Law.** This Agreement and any disputes or controversies arising hereunder shall be construed and enforced in accordance with and governed by the internal laws of the State of Colorado, without reference to principles of law that would apply the substantive law of another jurisdiction.

11. **Entire Agreement.** This Agreement, together with the agreements granting to the Executive the stock options specified in Section 3(c), constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supersedes and cancels any and all previous agreements, written and oral, regarding the subject matter hereof. This Agreement shall not be changed, altered, modified or amended, except by a written agreement that (i) explicitly states the intent of both parties hereto to supplement this Agreement and (ii) is signed by both parties hereto.

12. **Notices.** All notices, requests, demands and other communications called for or contemplated hereunder shall be in writing and shall be deemed to have been sufficiently given if personally delivered or if sent by registered or certified mail, return receipt requested to the parties, their successors in interest, or their assignees at the following addresses, or at such other addresses as the parties may designate by written notice in the manner aforesaid, and shall be deemed received upon actual receipt:

(a) to the Company at:

Noodles & Company
520 Zang Street, Suite D
Broomfield, CO 80021
Fax: (720) 214-1921
Attention: General Counsel

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166
Attention: Steven Shoemate, Esq.
Facsimile: (212) 351-5316

(b) to the Executive at the address reflected in the Company's payroll records

13. **Severability.** If any term or provision of this Agreement, or the application thereof to any person or under any circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such terms to the persons or under circumstances other than those as to which it is invalid or unenforceable, shall be considered severable and shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. **Waiver.** The failure of any party to insist in any one instance or more upon strict performance of any of the terms and conditions hereof, or to exercise any right or privilege herein conferred, shall not be construed as a waiver of such terms, conditions, rights or privileges, but same shall continue to remain in full force and effect. Any waiver by any party of any violation of, breach of or default under any provision of this Agreement by the other party

shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

15. **Successors and Assigns.** This Agreement shall be binding upon the Company and any successors and assigns of the Company, including any corporation with which, or into which, the Company may be merged or which may succeed to the Company's assets or business. In the event that the Company sells or transfers all or substantially all of the assets of the Company, or in the event of any merger or consolidation of the Company, the Company shall use reasonable efforts to cause such assignee, transferee, or successor to assume the liabilities, obligations and duties of the Company hereunder. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive; provided, however, that this provision shall not preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable after her death and shall not preclude her executor or administrator from assigning any right hereunder to the person or persons entitled hereto.

16. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

17. **Headings.** Headings in this Agreement are for reference only and shall not be deemed to have any substantive effect.

18. **Opportunity to Seek Advice; Warranties and Representations.** The Executive acknowledges and confirms that she has had the opportunity to seek such legal, financial and other advice and representation as she has deemed appropriate in connection with this Agreement. The Executive hereby represents and warrants to the Company that she is not under any obligation of a contractual or quasi-contractual nature known to him that is inconsistent or in conflict with this Agreement or that would prevent, limit or impair the performance by the Executive of her obligations hereunder.

19. **Withholdings.** All salary, severance payments, bonuses or benefits provided by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

20. **Section 409A.** The parties intend that any compensation, benefits and other amounts payable or provided to the Executive under this Agreement be paid or provided in compliance with Section 409A of the Internal Revenue Code and all regulations, guidance, and other interpretative authority issued thereunder (collectively, "Section 409A") such that there will be no adverse tax consequences, interest, or penalties for the Executive under Section 409A as a result of the payments and benefits so paid or provided to him. The parties agree to modify this Agreement, or the timing (but not the amount) of the payment hereunder of severance or other compensation, or both, to the extent necessary to comply with and to the extent permissible under Section 409A. In addition, notwithstanding anything to the contrary contained in any other provision of this Agreement, the payments and benefits to be provided the Executive under this Agreement shall be subject to the provisions set forth below.

(a) The date of the Executive's "separation from service," as defined in the regulations issued under Section 409A, shall be treated as Executive's Date of Termination for purpose of determining the time of payment of any amount that becomes payable to the Executive pursuant to Section 5 hereof upon the termination of her employment and that is treated as an amount of deferred compensation for purposes of Section 409A.

(b) In the case of any amounts that are payable to the Executive under this Agreement, or under any other "nonqualified deferred compensation plan" (within the meaning of Section 409A) maintained by the Company in the form of installment payments, (i) the Executive's right to receive such payments shall be treated as a right to receive a series of separate payments under Treas. Reg. §1.409A-2(b)(2)(iii), and (ii) to the extent any such plan does not already so provide, it is hereby amended as of the date hereof to so provide, with respect to amounts payable to the Executive thereunder.

(c) If the Executive is a "specified employee" within the meaning of Section 409A at the time of her "separation from service" within the meaning of Section 409A, then any payment otherwise required to be made to him under this Agreement on account of her separation from service, to the extent such payment (after taking in to account all exclusions applicable to such payment under Section 409A) is properly treated as deferred compensation subject to Section 409A, shall not be made until the first business day after (i) the expiration of six months from the date of the Executive's separation from service, or (ii) if earlier, the date of the Executive's death (the "Delayed Payment Date"). On the Delayed Payment Date, there shall be paid to the Executive or, if the Executive has died, to the Executive's estate, in a single cash lump sum, an amount equal to aggregate amount of the payments delayed pursuant to the preceding sentence.

(d) To the extent that the reimbursement of any expenses or the provision of any in-kind benefits pursuant to this Agreement is subject to Section 409A, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided hereunder during any one calendar year shall not affect the amount of such expenses eligible for reimbursement or in-kind benefits to be provided hereunder in any other calendar year; provided, however, that the foregoing shall not apply to any limit on the amount of any expenses incurred by the Executive that may be reimbursed or paid under the terms of the Company's medical plan, if such limit is imposed on all similarly situated participants in such plan; (ii) all such expenses eligible for reimbursement hereunder shall be paid to the Executive as soon as administratively practicable after any documentation required for reimbursement for such expenses has been submitted, but in any event by no later than December 31 of the calendar year following the calendar year in which such expenses were incurred; and (iii) the Executive's right to receive any such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

[The next page is the signature page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

NOODLES & COMPANY
a Delaware corporation

By: /s/ Melissa M. Heidman
MELISSA M. HEIDMAN

EXECUTIVE:

/s/ STACEY POOL
Stacey Pool

[Signature Page to Employment Agreement]

Exhibit A

RELEASE AGREEMENT

1. Executive, individually and on behalf of her heirs and assigns, hereby releases, waives and discharges Company, and all subsidiary, parent or affiliated companies and corporations, and their present, former or future respective subsidiary, parent or affiliated companies or corporations, and their respective present or former directors, officers, shareholders, trustees, managers, supervisors, employees, partners, attorneys, agents, representatives and insurers, and the respective successors, heirs and assigns of any of the above described persons or entities (hereinafter referred to collectively as "Released Parties"), from any and all claims, causes of action, losses, damages, costs, and liabilities of every kind and character, whether known or unknown ("Claims"), that Executive may have or claim to have, in any way relating to or arising out of, in whole or in part, (a) any event or act of omission or commission occurring on or before the Date of Termination, including Claims arising by reason of the continued effects of any such events or acts, which occurred on or before the Date of Termination, or (b) Executive's employment with Company or the termination of such employment with Company, including but not limited to Claims arising under federal, state, or local laws prohibiting disability, handicap, age, sex, race, national origin, religion, retaliation, or any other form of discrimination, such as the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. §§ 621 et seq.; and Title VII of the 1964 Civil Rights Act, as amended, 42 U.S.C. §§ 2000e et seq.; Claims for intentional infliction of emotional distress, tortious interference with contract or prospective advantage, and other tort claims; and Claims for breach of express or implied contract; with the exception of Employee's vested rights, if any, under Company retirement plans. Executive hereby warrants that she has not assigned or transferred to any person any portion of any claim that is released, waived and discharged above. Executive understands and agrees that by signing this Agreement she is giving up her right to bring any legal claim against any Released Party concerning, directly or indirectly, Executive's employment relationship with the Company, including her separation from employment, and/or any and all contracts between Executive and Company, express or implied. Executive agrees that this legal release is intended to be interpreted in the broadest possible manner in favor of the Released Parties, to include all actual or potential legal claims that Executive may have against any Released Party, except as specifically provided otherwise in this Agreement. This release does not cover Claims relating to the validity or enforcement of this Agreement. Further, Executive has not released any claim for indemnity or legal defense available to him due to her service as a board member, officer or director of the Company, as provided by the certificate of incorporation or bylaws of the Company, or by any applicable insurance policy, or under any applicable corporate law.

2. Executive agrees and acknowledges that she: (i) understands the language used in this Agreement and the Agreement's legal effect; (ii) understands that by signing this Agreement she is giving up the right to sue the Company for age discrimination; (iii) will receive compensation under this Agreement to which she would not have been entitled without signing this Agreement; (iv) has been advised by Company to consult with an attorney before signing

this Agreement; and (v) was given no less than twenty-one days to consider whether to sign this Agreement. For a period of seven days after the effective date of this Agreement, Executive may, in her sole discretion, rescind this Agreement, by delivering a written notice of rescission to the Board. If Executive rescinds this Agreement within seven calendar days after the effective date, this Agreement shall be void, all actions taken pursuant to this Agreement shall be reversed, and neither this Agreement nor the fact of or circumstances surrounding its execution shall be admissible for any purpose whatsoever in any proceeding between the parties, except in connection with a claim or defense involving the validity or effective rescission of this Agreement. If Executive does not rescind this Agreement within seven calendar days after the Effective Date, this Agreement shall become final and binding and shall be irrevocable.

3. Nothing herein affects Executive's obligations under the Employment Agreement between the Company and the Executive dated October 27, 2020 (the "Employment Agreement") that survive Executive's termination of employment.

4. Capitalized terms not defined herein have the meaning specified in the Employment Agreement.

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is entered into as of October 27, 2020, by and between Noodles & Company, a Delaware corporation (the “Company”), and Melissa M. Heidman, an individual (the “Executive”).

INTRODUCTION

1. The Company wishes to continue to employ the Executive as its Executive Vice President, General Counsel and Secretary.
2. The Executive desires to continue to be employed by the Company, pursuant to the terms and conditions set forth herein.

AGREEMENT

In consideration of the premises and mutual promises herein below set forth, the parties hereby agree as follows:

1. Employment Period

The term of the Executive’s employment by the Company pursuant to this Agreement (the “Employment Period”) shall commence on October 27, 2020 (the “Effective Date”) and shall continue until terminated pursuant to Section 5.

2. Employment

(a) Title; Duties. The Executive shall serve as Executive Vice President, General Counsel and Secretary of the Company during the Employment Period, and the Executive hereby accepts such employment. The duties assigned and authority granted to the Executive shall be as determined by the Company’s Board of Directors (the “Board”) or the Chief Executive Officer from time to time. The Executive agrees to perform her duties for the Company diligently, competently, and in a good faith manner.

(b) Exclusive Employment. During the Employment Period, the Executive shall devote her full business time to her duties and responsibilities set forth above, and may not, without the prior written consent of the Board or its designee, operate, participate in the management, board of directors, operations or control of, or act as an employee, officer, consultant, agent or representative of, any type of business or service (other than as an employee of the Company); provided, however, that the Executive may (i) engage in civic and charitable activities, (ii) participate in industry associations, deliver lectures or fulfill speaking engagements, and (iii) make and maintain outside personal investments, provided that none of the foregoing activities significantly interfere with the Executive’s performance of her duties hereunder.

3. Compensation

(a) Base Salary. The Executive shall be entitled to receive a base salary from the Company during the Employment Period at the rate of \$306,000.00 per year. The Executive's base salary shall be reviewed annually by the Board or the Compensation Committee of the Board (the "Committee"), and may be increased (but not decreased). The base salary shall be paid in accordance with the Company's payroll procedures as in effect from time-to-time.

(b) Annual Bonus. The Executive shall be eligible to receive an annual bonus (the "Annual Bonus") for each calendar year during the Employment Period in an amount targeted at fifty percent (50%) of the Executive's then-effective annual base salary, contingent upon the Executive achieving certain targeted goals that will be established by the Board or the Committee and prorated for partial years of employment. Any Annual Bonus to which the Executive may be entitled under this Section 3(b) shall be paid in cash in the form of a lump sum as soon as practicable following the completion of the financial audit for the applicable fiscal year, and in no event later than April 30 after the end of the fiscal year to which such Annual Bonus relates. Whether and to what degree the Executive has met the performance goals described in this Section 3(b) shall be determined by the Board in its reasonable discretion in accordance with the applicable bonus/performance goals document for that bonus year described in the first sentence of this Section 3(b).

(c) Equity Grants. Executive shall be eligible to receive equity grants during the Employment Period as determined by the Compensation Committee of the Board in its sole discretion.

4. Other Benefits; Location

(a) Insurance. During the Employment Period, the Executive and the Executive's dependents shall be eligible for coverage under the group insurance plans made available from time to time to Company's executive employees. The premiums for the coverage of the Executive and the Executive's dependents under that plan shall be paid by the Company pursuant to the formula in place for other executive employees covered by Company's group insurance plans.

(b) Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all other savings and retirement plans, practices, policies and programs, in each case on terms and conditions no less favorable than the terms and conditions generally applicable to the Company's other executive employees.

(c) Vacation. During the Employment Period, the Executive shall be entitled to an annual vacation pursuant to the Company's Time Away From Work policy, as in effect from time to time.

(d) Reimbursement of Expenses. The Company shall promptly reimburse the Executive for all reasonable out of pocket travel, entertainment, and other expenses incurred or paid by the Executive in connection with, or related to, the performance of her responsibilities or services under this Agreement upon the submission of appropriate documentation pursuant to the Company's policies in effect from time to time.

5. Termination

(a) Termination by the Company with Cause. Upon written notice to the Executive, the Company may terminate the Executive's employment for Cause (as defined below). In the event that the Executive's employment is terminated for Cause, the Executive shall receive from the Company payments for (i) any and all earned and unpaid portion of her then-effective base salary (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); (ii) any and all unreimbursed business expenses (in accordance with the Company's reimbursement policy); (iii) any and all accrued and unused vacation time through the Date of Termination (on or before the first regular payroll date following the Date of Termination in accordance with applicable law); and (iv) any other benefits the Executive is entitled to receive as of the Date of Termination under the employee benefit plans of the Company, less standard withholdings (items (i) through (iv) are hereafter referred to as "Accrued Benefits"). Except for the Accrued Benefits or as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation of any kind on account of the Executive's termination of employment or to make any payment in lieu of notice to the Executive in the event of a termination pursuant to this Section 5(a). Except as required by law or as otherwise provided herein, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(a).

(b) Termination by the Company Without Cause. The Company may, at any time and without prior written notice, terminate the Executive's employment without Cause. In the event that the Executive's employment with the Company is terminated without Cause, the Executive shall receive the Accrued Benefits and any unpaid portion of the Annual Bonus from a prior year (payable when other senior executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned). In addition, the Executive shall be entitled to receive from the Company the following: (i) severance payments totaling (A) if the termination does not occur during the CIC Protection Period, twelve (12) months of base salary, paid in equal installments according to the Company's regular payroll schedule over the twelve (12) months following the Date of Termination (the "Severance Period"), or (B) if the termination occurs during the CIC Protection Period, twelve (12) months of base salary, paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable, (ii) (A) if the termination does not occur during the CIC Protection Period, a pro rata portion of the Annual Bonus for the year in which the Date of Termination occurs, based on the number of full months employed in such fiscal year and actual performance for such year, paid when other senior executives receive their annual bonuses for such year (and in no event later than March 15 of the year following the year in

which the Date of Termination occurs), or (B) if the termination occurs during the CIC Protection Period, a pro rata Target Bonus (with the proration determined in the same manner as in clause (ii)(A)), paid in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable; and (iii) a cash payment equal to the “COBRA” premium for Executive’s elected coverage as of the Date of Termination for twelve (12) months, payable in a lump sum within five (5) days following the release of claims specified in Exhibit A becoming irrevocable. The Executive’s entitlement to the severance payments and benefits in the foregoing sentence is conditioned on (A) the Executive’s executing and delivering to the Company of a release of claims substantially in the form attached hereto as Exhibit A within forty-five (45) days following the Date of Termination, and on such release becoming effective, and (B) the Executive’s continued compliance with the restrictive covenants set forth in Sections 6, 7 and 8; provided, that if such forty-five (45) day period begins in one taxable year and ends in the following taxable year, the payments described in (i) of the preceding sentence shall commence in the second taxable year (and any payments that would have been made in the first taxable year shall be paid in a lump sum at the time payments commence pursuant hereto). Except as specifically provided in this Section 5(b) or in another section of this Agreement, or except as required by law, all benefits provided by the Company to the Executive under this Agreement or otherwise shall cease as of the Date of Termination in the event of a termination pursuant to this Section 5(b). For the avoidance of doubt, a Change in Control shall not, standing alone, make the Executive eligible for any severance benefits pursuant to this Section 5(b) or Section 5(c); rather, this Agreement includes a “double-trigger” pursuant to which a termination without Cause or a resignation for Good Reason is a prerequisite for any such benefits following a Change in Control.

(c) Termination by the Executive for Good Reason. The Executive may voluntarily terminate her employment with the Company and receive the severance payments, bonus payments, and other benefits detailed in Section 5(b) following the occurrence of an event constituting Good Reason (as defined below) that has not been cured by the Company within the timeframe specified in the definition of Good Reason.

(d) Voluntary Termination. If the Executive terminates employment with the Company without Good Reason, the Executive agrees to provide the Company with thirty (30) days’ prior written notice. In the event that the Executive’s employment is terminated under this Section 5(d), the Executive shall receive from the Company payment for all Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive on account of the Executive’s termination of employment pursuant to this Section 5(d).

(e) Termination Upon Death or Disability. If the Executive’s employment is terminated as a result of death or Disability prior to the expiration of the Employment Period, the Executive (or the Executive’s estate, or other designated beneficiary(s) as shown in the records of the Company in the case of death) shall be entitled to receive from the Company (i) payment for the Accrued Benefits described in Section 5(a) above at the times specified in Section 5(a) above and any unpaid portion of the Annual Bonus from a prior year (payable when other senior

executives receive their annual bonuses for such year, and in no event later than March 15 of the year following the year for which the Annual Bonus was earned), and (ii) a portion of the Annual Bonus that the Executive would have been eligible to receive for days employed by the Company in the year in which the Executive's death or Disability occurs, determined by multiplying (x) the Annual Bonus based on the actual level of achievement of the applicable performance goals for such year, by (y) a fraction, the numerator of which is the number of days up to and including the Date of Termination in the year in which the Date of Termination occurs, and the denominator of which is 365, such amount to be paid in the same time and the same form as the Annual Bonus otherwise would be paid. Except as required by law, after the Date of Termination, the Company shall have no obligation to make any other payment, including severance or other compensation, of any kind to the Executive (or the Executive's estate, or other designated beneficiary(s), as applicable) upon a termination of employment by death or Disability.

(f) Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below.

(A) "Cause" shall mean (i) the Executive breaches this Agreement or any material Company policy or procedure that, if curable, is not cured by the Executive to the reasonable satisfaction of the Board within 10 days following the Company notifying the Executive of such breach; (ii) the Executive commits a felony or any other crime involving dishonesty or moral turpitude; (iii) the Executive engages in fraudulent, dishonest or illegal conduct in the performance of services for or on behalf of Company; (iv) the Executive fails to follow lawful directions of the Board or the person to whom the Executive reports; (v) a harassment allegation against the Executive that the Board reasonably determines to be credible; (vi) any willful misconduct or gross negligence by the Executive with respect to her performance of duties for the Company; (vii) the Executive materially violates any material Company policy (including with respect to discrimination, harassment, data security and retaliation); or (viii) the Executive reports to or is present at work under the influence of alcohol or engages in the unlawful use or possession of drugs or illegal drugs (whether or not in the workplace).

(B) "Change in Control" means the occurrence of any of the following events: (i) during any 12-month period, the members of the Board (the "Incumbent Directors") cease for any reason other than due to death or disability to constitute at least a majority of the members of the Board, provided that any director whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the members of the Board who are at the time Incumbent Directors shall be considered an Incumbent Director, other than any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; (ii) the acquisition or ownership by any individual, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company or any of its affiliates or subsidiaries, or any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its

Affiliates or Subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors (excluding for this purpose any ownership or additional acquisition of Common Stock by any person (or any affiliate thereof) that owns more than 10% of the Common Stock as of the Effective Date); (iii) the merger, consolidation or other similar transaction of the Company, as a result of which the stockholders of the Company immediately prior to such merger, consolidation or other transaction, do not, immediately thereafter, beneficially own, directly or indirectly, more than 50% of the combined voting power of the voting securities entitled to vote generally in the election of directors of the merged, consolidated or other surviving company; or (iv) the sale, transfer or other disposition of all or substantially all of the assets of the Company to one or more persons or entities that are not, immediately prior to such sale, transfer or other disposition, affiliates of the Company. However, a "Change in Control" shall not be deemed to occur if the Company undergoes a bankruptcy, liquidation or reorganization under the United States Bankruptcy Code.

(C) "CIC Protection Period" means the period beginning sixty (60) days prior to a Change in Control and ending twelve (12) months following such Change in Control.

(D) "Date of Termination" shall mean (i) if the Executive is terminated by the Company for Disability, thirty (30) days after written notice of termination is given to the Executive (provided that the Executive shall not have returned to the performance of her duties on a full-time basis during such 30-day period); (ii) if the Executive's employment is terminated by the Company for any other reason, the date on which a written notice of termination is given or such other date specified in the notice, specifying in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment is given, and in the case of termination for Cause, after compliance with the notice and cure provisions in the definition of Cause; (iii) if the Executive terminates employment for Good Reason, the date of the Executive's resignation; provided that the notice and cure provisions in the definition of Good Reason have been complied with; (iv) if the Executive terminates employment for other than a Good Reason, the date specified in the Executive's notice in compliance with Section 5(f); or (v) in the event of the Executive's death, the date of death.

(E) "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness, which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(F) “Good Reason” shall mean, in the absence of written consent of the Executive, (i) the Board requiring the Executive to relocate the Executive’s principal place of employment by more than fifty (50) miles from its location as of the Effective Date (provided that in no event shall “Good Reason” exist under this prong (i) if the new principal place of employment is within fifty (50) miles of the Company’s corporate headquarters in Broomfield, Colorado as of the Effective Date), or (ii) only if occurring during the CIC Protection Period: (A) the Executive’s removal from the position of Executive Vice President, General Counsel and Secretary of the Company; (B) a temporary reduction in the annualized base salary or the target Annual Bonus (other than temporary reductions of no more than 10% in connection with such reductions applicable to other senior executives of the Company); or (C) a material breach by the Company of this Agreement.

If circumstances arise giving the Executive the right to terminate this Agreement for Good Reason, the Executive must within thirty (30) days notify the Company in writing of the existence of such circumstances, describing such circumstances with particularity and specifically citing this Section 5(f)(F), and the Company shall have thirty (30) days from receipt of such notice within which to investigate and remedy any such circumstances; if such circumstances exist and are not remedied within such 30-day period, then Executive shall thereafter have a period of thirty (30) days within which to exercise the right to terminate for Good Reason. If the Executive does not timely do so the right to terminate for Good Reason shall lapse and be deemed waived, and the Executive shall not thereafter have the right to terminate for Good Reason unless further circumstances occur giving rise independently to a right to terminate for Good Reason under this Section 5(f)(F).

(g) Notice of Termination. Any termination of the Executive’s employment by the Company or by the Executive under this Section 5 (other than in the case of death) shall be communicated by a written notice (the “Notice of Termination”) to the other party hereto, indicating the specific termination provision in this Agreement relied upon, setting forth as appropriate in reasonable detail any facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated, and specifying a Date of Termination which notice shall be delivered within the time periods set forth in the various subsections of this Section 5, as applicable (the “Notice Period”); provided, however, that the Company may pay to the Executive all base salary, benefits and other rights due to the Executive during the Notice Period instead of employing the Executive during such Notice Period.

(h) Resignation from All Positions. Upon the Executive’s termination of employment for any reason, the Executive shall immediately resign from all other positions with the Company and its affiliates (including, to the extent applicable, as a member of the Board).

6. Non-Competition; General Provisions Applicable to Restrictive Covenants

(a) Covenant not to Compete. For the duration of the Employment Period and for six (6) months thereafter, the Executive shall not, directly or indirectly, own any interest in, manage, control, participate in, consult with, advise, render services for, or be employed in an executive, managerial or administrative capacity by (i) any entity engaged in the fast or quick-casual restaurant business or (ii) any other entity that engages in or plans to engage in a business that directly competes with the business of the Company, in each case within North America (a "Competing Business"). Nothing herein shall prohibit the Executive from being a passive owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded, so long as the Executive has no active participation in the business of such corporation.

(b) Specific Performance. The Executive recognizes and agrees that a violation by him of her obligations under this Section 6, or under Section 7, or subparts (a) or (d) of Section 8 may cause irreparable harm to the Company that would be difficult to quantify and that money damages may be inadequate. As such, the Executive agrees that the Company shall have the right to seek injunctive relief (in addition to, and not in lieu of any other right or remedy that may be available to it) to prevent or restrain any such alleged violation without the necessity of posting a bond or other security and without the necessity of proving actual damages. However, the foregoing shall not prevent the Executive from contesting the Company's request for the issuance of any such injunction on the grounds that no violation or threatened violation of the aforementioned Sections has occurred and that the Company has not suffered irreparable harm. If a court of competent jurisdiction determines that the Executive has violated the obligations of any covenant for a particular duration, then the Executive agrees that such covenant will be extended by that duration.

(c) Scope and Duration of Restrictions. The Executive expressly agrees that the character, duration and geographical scope of the restrictions imposed under this Section 6, and under Section 7, and all of Section 8 are reasonable in light of the circumstances as they exist at the date upon which this Agreement has been executed. However, should a determination nonetheless be made by a court of competent jurisdiction at a later date that the character, duration or geographical scope of any of the covenants contained herein is unreasonable in light of the circumstances as they then exist, then it is the intention of both the Executive and the Company that such covenant shall be construed by the court in such a manner as to impose only those restrictions on the conduct of the Executive which are reasonable in light of the circumstances as they then exist and necessary to assure the Company of the intended benefit of such covenant.

7. Confidentiality Covenants

The Executive acknowledges that the confidential business information generated by the Company and its subsidiaries, whether such information is written, oral or graphic, including, but not limited to, financial plans and records, marketing plans, business strategies and relationships with third parties, present and proposed products, present and proposed patent applications, trade secrets, information regarding customers and suppliers, strategic planning and systems and contractual terms obtained by the Executive while employed by the Company and its subsidiaries concerning the business or affairs of the Company or any subsidiary of the Company

(collectively, the “Confidential Information”) is the property of the Company or such subsidiary. The Executive agrees that she shall not disclose to any Person or use for the Executive’s own purposes any Confidential Information or any confidential or proprietary information of other persons in the possession of the Company and its subsidiaries (“Third Party Information”), without the prior written consent of the Board, unless and to the extent that (i) the Confidential Information or Third Party Information becomes generally known to and available for use by the public, other than as a result of the Executive’s acts or omissions or (ii) the disclosure of such Confidential Information is required by law, in which case the Executive shall give notice to and the opportunity to the Company to comment on the form of the disclosure and only the portion of Confidential Information that is required to be disclosed by law shall be disclosed. In addition, nothing in this Section 7 or any other provision of this Agreement prohibits the Executive from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of federal law or regulation.

Pursuant to 18 U.S.C. § 1833(b), Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret of the Company or any of its subsidiaries that—(i) is made—(A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to Executive’s attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. If Executive files a lawsuit for retaliation by the Company or any of its subsidiaries for reporting a suspected violation of law, Executive may disclose the trade secret to the Executive’s attorney and use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal and does not disclose the trade secret except under court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

Nothing in the Agreement shall prohibit or restrict the Company or any of its subsidiaries, Executive or their respective attorneys from: (i) making any disclosure of relevant and necessary information or documents in any action, investigation, or proceeding relating to Executive’s employment, or as required by law or legal process, including with respect to possible violations of law; (ii) participating, cooperating, or testifying in any action, investigation, or proceeding with, or providing information to, any governmental agency or legislative body, any self-regulatory organization, and/or pursuant to the Sarbanes-Oxley Act; or (iii) accepting any U.S. Securities and Exchange Commission awards. In addition, nothing in this Agreement prohibits or restricts the Company or any of its subsidiaries or Executive from initiating communications with, or responding to any inquiry from, any regulatory or supervisory authority regarding any good faith concerns about possible violations of law or regulation.

8. Other Covenants

(a) Non-Solicitation. For the duration of the Employment Period and for twelve (12) months thereafter, other than in the course of performing her duties, the Executive shall not, directly or indirectly through another person, induce or attempt to induce any employee of the Company or any of its subsidiaries (other than restaurant-level employees who are not

managers) to leave the employ of the Company or such subsidiary, or in any way interfere with the relationship between the Company or any of its subsidiaries and any such employee.

(b) **Compliance with Company Policies.** The Executive agrees that, during the Employment Period, she shall comply in all material respects with the Company's employee manual and other policies and procedures reasonably established by the Company from time to time, including but not limited to policies addressing matters such as management, supervision, recruiting and diversity.

(c) **Cooperation.** For a period of eighteen (18) months following the end of the Employment Period, the Executive shall, upon the Company's reasonable request and in good faith and with the Executive's commercially reasonable efforts and subject to the Executive's reasonable availability, cooperate and assist the Company in any dispute, controversy, or litigation in which the Company may be involved and with respect to which the Executive obtained knowledge while employed by the Company or any of its affiliates, successors, or assigns, including, but not limited to, participation in any court or arbitration proceedings, giving of testimony, signing of affidavits, or such other personal cooperation as counsel for the Company shall request. Any such activities shall be scheduled, to the extent reasonably possible, to accommodate the Executive's business and personal obligations at the time. The Company shall pay the Executive's reasonable travel and incidental out-of-pocket expenses incurred in connection with any such cooperation.

(d) **Return of Business Records and Equipment.** Upon termination of the Executive's employment hereunder, the Executive shall promptly return to the Company: (i) all documents, records, procedures, books, notebooks, and any other documentation in any form whatsoever, including but not limited to written, audio, video or electronic, containing any information pertaining to the Company which includes Confidential Information, including any and all copies of such documentation then in the Executive's possession or control regardless of whether such documentation was prepared or compiled by the Executive, Company, other employees of the Company, representatives, agents, or independent contractors, and (ii) all equipment or tangible personal property entrusted to the Executive by the Company. The Executive acknowledges that all such documentation, copies of such documentation, equipment, and tangible personal property are and shall at all times remain the sole and exclusive property of the Company.

9. **Nondisparagement.** During the Executive's employment with the Company and thereafter, the Executive agrees, to the fullest extent permissible by law, not to make, directly or indirectly, any public or private statements, gestures, signs, signals or other verbal or nonverbal, direct or indirect communications that the Executive, using reasonable judgment, should have known would be harmful to or reflect negatively on the Company or are otherwise disparaging of the Company or its past, present or future officers, board members, employees, shareholders, and their affiliates. Nothing in this Section 9 shall prohibit either party from truthfully responding to an accusation from the other party or require either party to violate any subpoena or law.

10. **Governing Law.** This Agreement and any disputes or controversies arising hereunder shall be construed and enforced in accordance with and governed by the internal laws

of the State of Colorado, without reference to principles of law that would apply the substantive law of another jurisdiction.

11. **Entire Agreement.** This Agreement, together with the agreements granting to the Executive the stock options specified in Section 3(c), constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and thereof and supersedes and cancels any and all previous agreements, written and oral, regarding the subject matter hereof. Without limiting the generality of the foregoing this Agreement supersedes the Severance Agreement dated June 6, 2018. This Agreement shall not be changed, altered, modified or amended, except by a written agreement that (i) explicitly states the intent of both parties hereto to supplement this Agreement and (ii) is signed by both parties hereto.

12. **Notices.** All notices, requests, demands and other communications called for or contemplated hereunder shall be in writing and shall be deemed to have been sufficiently given if personally delivered or if sent by registered or certified mail, return receipt requested to the parties, their successors in interest, or their assignees at the following addresses, or at such other addresses as the parties may designate by written notice in the manner aforesaid, and shall be deemed received upon actual receipt:

(a) to the Company at:

Noodles & Company
520 Zang Street, Suite D
Broomfield, CO 80021
Fax: (720) 214-1921
Attention: General Counsel

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, NY 10166
Attention: Steven Shoemate, Esq.
Facsimile: (212) 351-5316

(b) to the Executive at the address reflected in the Company's payroll records

13. **Severability.** If any term or provision of this Agreement, or the application thereof to any person or under any circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such terms to the persons or under circumstances other than those as to which it is invalid or unenforceable, shall be considered severable and shall not be affected thereby, and each term of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. **Waiver.** The failure of any party to insist in any one instance or more upon strict performance of any of the terms and conditions hereof, or to exercise any right or privilege

herein conferred, shall not be construed as a waiver of such terms, conditions, rights or privileges, but same shall continue to remain in full force and effect. Any waiver by any party of any violation of, breach of or default under any provision of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement.

15. **Successors and Assigns.** This Agreement shall be binding upon the Company and any successors and assigns of the Company, including any corporation with which, or into which, the Company may be merged or which may succeed to the Company's assets or business. In the event that the Company sells or transfers all or substantially all of the assets of the Company, or in the event of any merger or consolidation of the Company, the Company shall use reasonable efforts to cause such assignee, transferee, or successor to assume the liabilities, obligations and duties of the Company hereunder. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive; provided, however, that this provision shall not preclude the Executive from designating one or more beneficiaries to receive any amount that may be payable after her death and shall not preclude her executor or administrator from assigning any right hereunder to the person or persons entitled hereto.

16. **Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

17. **Headings.** Headings in this Agreement are for reference only and shall not be deemed to have any substantive effect.

18. **Opportunity to Seek Advice; Warranties and Representations.** The Executive acknowledges and confirms that she has had the opportunity to seek such legal, financial and other advice and representation as she has deemed appropriate in connection with this Agreement. The Executive hereby represents and warrants to the Company that she is not under any obligation of a contractual or quasi-contractual nature known to him that is inconsistent or in conflict with this Agreement or that would prevent, limit or impair the performance by the Executive of her obligations hereunder.

19. **Withholdings.** All salary, severance payments, bonuses or benefits provided by the Company under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

20. **Section 409A.** The parties intend that any compensation, benefits and other amounts payable or provided to the Executive under this Agreement be paid or provided in compliance with Section 409A of the Internal Revenue Code and all regulations, guidance, and other interpretative authority issued thereunder (collectively, "**Section 409A**") such that there will be no adverse tax consequences, interest, or penalties for the Executive under Section 409A as a result of the payments and benefits so paid or provided to him. The parties agree to modify this Agreement, or the timing (but not the amount) of the payment hereunder of severance or other compensation, or both, to the extent necessary to comply with and to the extent permissible under Section 409A. In addition, notwithstanding anything to the contrary contained in any

other provision of this Agreement, the payments and benefits to be provided the Executive under this Agreement shall be subject to the provisions set forth below.

(a) The date of the Executive's "separation from service," as defined in the regulations issued under Section 409A, shall be treated as Executive's Date of Termination for purpose of determining the time of payment of any amount that becomes payable to the Executive pursuant to Section 5 hereof upon the termination of her employment and that is treated as an amount of deferred compensation for purposes of Section 409A.

(b) In the case of any amounts that are payable to the Executive under this Agreement, or under any other "nonqualified deferred compensation plan" (within the meaning of Section 409A) maintained by the Company in the form of installment payments, (i) the Executive's right to receive such payments shall be treated as a right to receive a series of separate payments under Treas. Reg. §1.409A-2(b)(2)(iii), and (ii) to the extent any such plan does not already so provide, it is hereby amended as of the date hereof to so provide, with respect to amounts payable to the Executive thereunder.

(c) If the Executive is a "specified employee" within the meaning of Section 409A at the time of her "separation from service" within the meaning of Section 409A, then any payment otherwise required to be made to him under this Agreement on account of her separation from service, to the extent such payment (after taking in to account all exclusions applicable to such payment under Section 409A) is properly treated as deferred compensation subject to Section 409A, shall not be made until the first business day after (i) the expiration of six months from the date of the Executive's separation from service, or (ii) if earlier, the date of the Executive's death (the "Delayed Payment Date"). On the Delayed Payment Date, there shall be paid to the Executive or, if the Executive has died, to the Executive's estate, in a single cash lump sum, an amount equal to aggregate amount of the payments delayed pursuant to the preceding sentence.

(d) To the extent that the reimbursement of any expenses or the provision of any in-kind benefits pursuant to this Agreement is subject to Section 409A, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided hereunder during any one calendar year shall not affect the amount of such expenses eligible for reimbursement or in-kind benefits to be provided hereunder in any other calendar year; provided, however, that the foregoing shall not apply to any limit on the amount of any expenses incurred by the Executive that may be reimbursed or paid under the terms of the Company's medical plan, if such limit is imposed on all similarly situated participants in such plan; (ii) all such expenses eligible for reimbursement hereunder shall be paid to the Executive as soon as administratively practicable after any documentation required for reimbursement for such expenses has been submitted, but in any event by no later than December 31 of the calendar year following the calendar year in which such expenses were incurred; and (iii) the Executive's right to receive any such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

[The next page is the signature page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

NOODLES & COMPANY
a Delaware corporation

By: /s/ Dave Boennighausen
DAVE BOENNIGHAUSEN

EXECUTIVE:

/s/ MELISSA M. HEIDMAN
Melissa M. Heidman

[Signature Page to Employment Agreement]

Exhibit A

RELEASE AGREEMENT

1. Executive, individually and on behalf of her heirs and assigns, hereby releases, waives and discharges Company, and all subsidiary, parent or affiliated companies and corporations, and their present, former or future respective subsidiary, parent or affiliated companies or corporations, and their respective present or former directors, officers, shareholders, trustees, managers, supervisors, employees, partners, attorneys, agents, representatives and insurers, and the respective successors, heirs and assigns of any of the above described persons or entities (hereinafter referred to collectively as "Released Parties"), from any and all claims, causes of action, losses, damages, costs, and liabilities of every kind and character, whether known or unknown ("Claims"), that Executive may have or claim to have, in any way relating to or arising out of, in whole or in part, (a) any event or act of omission or commission occurring on or before the Date of Termination, including Claims arising by reason of the continued effects of any such events or acts, which occurred on or before the Date of Termination, or (b) Executive's employment with Company or the termination of such employment with Company, including but not limited to Claims arising under federal, state, or local laws prohibiting disability, handicap, age, sex, race, national origin, religion, retaliation, or any other form of discrimination, such as the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. §§ 621 et seq.; and Title VII of the 1964 Civil Rights Act, as amended, 42 U.S.C. §§ 2000e et seq.; Claims for intentional infliction of emotional distress, tortious interference with contract or prospective advantage, and other tort claims; and Claims for breach of express or implied contract; with the exception of Employee's vested rights, if any, under Company retirement plans. Executive hereby warrants that she has not assigned or transferred to any person any portion of any claim that is released, waived and discharged above. Executive understands and agrees that by signing this Agreement she is giving up her right to bring any legal claim against any Released Party concerning, directly or indirectly, Executive's employment relationship with the Company, including her separation from employment, and/or any and all contracts between Executive and Company, express or implied. Executive agrees that this legal release is intended to be interpreted in the broadest possible manner in favor of the Released Parties, to include all actual or potential legal claims that Executive may have against any Released Party, except as specifically provided otherwise in this Agreement. This release does not cover Claims relating to the validity or enforcement of this Agreement. Further, Executive has not released any claim for indemnity or legal defense available to him due to her service as a board member, officer or director of the Company, as provided by the certificate of incorporation or bylaws of the Company, or by any applicable insurance policy, or under any applicable corporate law.

2. Executive agrees and acknowledges that she: (i) understands the language used in this Agreement and the Agreement's legal effect; (ii) understands that by signing this Agreement she is giving up the right to sue the Company for age discrimination; (iii) will receive compensation under this Agreement to which she would not have been entitled without signing this Agreement; (iv) has been advised by Company to consult with an attorney before signing

this Agreement; and (v) was given no less than twenty-one days to consider whether to sign this Agreement. For a period of seven days after the effective date of this Agreement, Executive may, in her sole discretion, rescind this Agreement, by delivering a written notice of rescission to the Board. If Executive rescinds this Agreement within seven calendar days after the effective date, this Agreement shall be void, all actions taken pursuant to this Agreement shall be reversed, and neither this Agreement nor the fact of or circumstances surrounding its execution shall be admissible for any purpose whatsoever in any proceeding between the parties, except in connection with a claim or defense involving the validity or effective rescission of this Agreement. If Executive does not rescind this Agreement within seven calendar days after the Effective Date, this Agreement shall become final and binding and shall be irrevocable.

3. Nothing herein affects Executive's obligations under the Employment Agreement between the Company and the Executive dated October 27, 2020 (the "Employment Agreement") that survive Executive's termination of employment.

4. Capitalized terms not defined herein have the meaning specified in the Employment Agreement.

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER

I, Dave Boennighausen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Noodles and Company;
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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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. I have disclosed, based on my 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: October 29, 2020

/s/ DAVE BOENNIGHAUSEN

Dave Boennighausen

Chief Executive Officer

(principal executive and financial officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER

I, Dave Boennighausen, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Noodles & Company on Form 10-Q for the fiscal quarter ended September 29, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects the financial condition and results of operations of Noodles & Company.

Date: October 29, 2020

By: /s/ DAVE BOENNIGHAUSEN

Name: Dave Boennighausen

Title: Chief Executive Officer
(principal executive and financial officer)