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 March 31, 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	**84-1303469**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
520 Zang Street, Suite D **Broomfield, CO**	**80021**
(Address of principal executive offices)	(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	☐	Accelerated Filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 June 12, 2020
Class A Common Stock, $0.01 par value per share	44,239,120 shares

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EXPLANATORY NOTE

As previously disclosed in the Company’s Current Report on Form 8-K as filed with the SEC on May 11, 2020 (the “Form 8-K”) and in accordance with the SEC’s order under Section 36 of the Exchange Act granting exemptions from specified provisions of the Exchange Act and certain rules thereunder (Release No. 34-88318), as superseded by a subsequent order (Release No. 34-88465) issued on March 25, 2020 (collectively, the “Order”), the Company is relying on the relief provided by the Order to delay filing its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2020.

The Company’s business has been significantly disrupted due to the conditions surrounding the COVID-19 pandemic, including, but not limited to, the continued closure of the majority of its restaurant dining rooms (and the related uncertainty regarding the conditions under which restaurants can reopen) and reductions in the number and working hours of the Company’s Central Support Office staff. These conditions have caused significant disruptions to the Company’s operations and management, including requiring key personnel to devote considerable time and resources to address emerging issues impacting the Company’s operations and financial condition. This, in turn, has caused delays in the Company’s ability to complete the Form 10-Q. Accordingly, we relied on the Order to postpone the filing of our Quarterly Report.

PART I

Item 1. Financial Statements

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

	March 31, 2020	December 31, 2019
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 50,530	$ 10,459
Accounts receivable	1,926	3,503
Inventories	9,538	9,871
Prepaid expenses and other assets	2,707	5,386
Income tax receivable	155	103
Total current assets	64,856	29,322
Property and equipment, net	128,669	128,867
Operating lease assets, net	210,254	209,717
Goodwill	7,154	7,154
Intangibles, net	868	883
Other assets, net	2,378	2,576
Total long-term assets	349,323	349,197
Total assets	$ 414,179	$ 378,519
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 9,350	$ 9,351
Accrued payroll and benefits	7,119	13,479
Accrued expenses and other current liabilities	9,898	11,679
Current operating lease liabilities	22,982	22,775
Current portion of long-term debt	750	750
Total current liabilities	50,099	58,034
Long-term debt, net	85,382	40,497
Long-term operating lease liabilities, net	228,232	225,014
Deferred tax liabilities, net	214	200
Other long-term liabilities	5,346	4,203
Total liabilities	369,273	327,948
Stockholders' equity:		
Preferred stock—$0.01 par value, 1,000,000 shares authorized and undesignated as of March 31, 2020 and December 31, 2019; no shares issued or outstanding	—	—
Common stock—$0.01 par value, 180,000,000 shares authorized as of March 31, 2020 and December 31, 2019; 46,583,879 issued and 44,160,008 outstanding as of March 31, 2020 and 46,557,934 issued and 44,134,063 outstanding as of December 31, 2019	466	466
Treasury stock, at cost, 2,423,871 shares as of March 31, 2020 and December 31, 2019	(35,000)	(35,000)
Additional paid-in capital	200,755	200,585
Accumulated deficit	(121,315)	(115,480)
Total stockholders' equity	44,906	50,571
Total liabilities and stockholders' equity	$ 414,179	$ 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	
	March 31, 2020	April 2, 2019
Revenue:		
Restaurant revenue	$ 98,716	$ 108,765
Franchising royalties and fees, and other	1,632	1,281
Total revenue	100,348	110,046
Costs and expenses:		
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):		
Cost of sales	25,204	29,091
Labor	34,231	37,092
Occupancy	12,060	12,430
Other restaurant operating costs	16,689	16,456
General and administrative	10,554	10,140
Depreciation and amortization	5,335	5,507
Pre-opening	73	—
Restaurant impairments, closure costs and asset disposals	1,056	420
Total costs and expenses	105,202	111,136
Loss from operations	(4,854)	(1,090)
Interest expense, net	968	761
Loss before taxes	(5,822)	(1,851)
Provision for income taxes	13	—
Net loss and comprehensive loss	$ (5,835)	$ (1,851)
Loss per Class A and Class B common stock, combined		
Basic	$ (0.13)	$ (0.04)
Diluted	$ (0.13)	$ (0.04)
Weighted average shares of Class A and Class B common stock outstanding, combined:		
Basic	44,142,220	43,933,235
Diluted	44,142,220	43,933,235

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] [2]		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	25,945	—	—	—	(1)	—	(1)
Stock-based compensation expense	—	—	—	—	171	—	171
Net loss	—	—	—	—	—	(5,835)	(5,835)
Balance—March 31, 2020	46,583,879	$ 466	2,423,871	$ (35,000)	$ 200,755	$ (121,315)	$ 44,906
Balance—January 1, 2019	46,353,309	$ 464	2,423,871	$ (35,000)	$ 198,352	$ (111,135)	$ 52,681
Stock plan transactions and other	17,642	—	—	—	21	—	21
Stock-based compensation expense	—	—	—	—	737	—	737
Adoption of ASU No. 2016-02, Leases (Topic 842)	—	—	—	—	—	(5,992)	(5,992)
Net loss	—	—	—	—	—	(1,851)	(1,851)
Balance—April 2, 2019	46,370,951	$ 464	2,423,871	$ (35,000)	$ 199,110	$ (118,978)	$ 45,596

(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)

	Fiscal Quarter Ended	
	March 31, 2020	April 2, 2019
Operating activities		
Net loss	$ (5,835)	$ (1,851)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	5,335	5,507
Deferred income taxes	13	—
Restaurant impairments, closure costs and asset disposals	750	145
Amortization of debt issuance costs	73	125
Stock-based compensation	159	726
Changes in operating assets and liabilities:		
Accounts receivable	1,577	362
Inventories	304	(223)
Prepaid expenses and other assets	1,131	50
Accounts payable	(106)	2,798
Income taxes	(52)	(6)
Operating lease assets and liabilities	2,885	(328)
Accrued expenses and other liabilities	(6,892)	(7,191)
Net cash (used in) provided by operating activities	(658)	114
Investing activities		
Purchases of property and equipment	(3,919)	(4,164)
Franchise restaurant acquisition, net of cash acquired	—	(1,387)
Net cash used in investing activities	(3,919)	(5,551)
Financing activities		
Net payments from swing line loan	—	3,071
Proceeds from issuance of long-term debt	47,000	—
Payments on long-term debt	(2,188)	(313)
Payments on finance leases	(163)	(197)
Stock plan transactions and tax withholding on share-based compensation awards	(1)	21
Net cash provided by financing activities	44,648	2,582
Net increase (decrease) in cash and cash equivalents	40,071	(2,855)
Cash and cash equivalents		
Beginning of period	10,459	4,655
End of period	$ 50,530	$ 1,800

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 March 31, 2020, the Company had 381 company-owned restaurants and 77 franchise restaurants in 29 states and the District of Columbia. 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.

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 March 31, 2020 is referred to as the first quarter of 2020, and the fiscal quarter ended April 2, 2019 is referred to as the first quarter of 2019.

Risks and Uncertainties

We are subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on the Company’s business is highly uncertain and difficult to predict, as the response to the pandemic is in its early stages and information is rapidly evolving. Our operational and financial performance will depend on future developments, including the duration of the outbreak, the duration of stay-at-home guidelines in the areas where we operate, 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, capital and financial markets have been negatively impacted by the COVID-19 pandemic, and it is possible that it could cause an 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 are currently evaluating the impacts of adoption of the new guidance to 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):

	March 31, 2020	December 31, 2019
Insurance receivable	$ —	$ 744
Vendor rebate receivables	551	788
Franchise and other receivables	1,375	1,971
	$ 1,926	$ 3,503

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

	March 31, 2020	December 31, 2019
Prepaid occupancy related costs	$ 16	$ 834
Other prepaid expenses	2,685	2,799
Other current assets [(1)]	6	1,753
	$ 2,707	$ 5,386

(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):

	March 31, 2020	December 31, 2019
Leasehold improvements	$ 201,895	$ 200,580
Furniture, fixtures and equipment	125,025	122,752
Construction in progress	3,621	2,890
	330,541	326,222
Accumulated depreciation and amortization	(201,872)	(197,355)
Property and equipment, net	$ 128,669	$ 128,867

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

	March 31, 2020		December 31, 2019	
Accrued payroll and related liabilities	$	2,661	$	6,364
Accrued bonus		707		3,505
Insurance liabilities		3,751		3,610
	$	7,119	$	13,479

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

	March 31, 2020		December 31, 2019	
Gift card liability	$	1,872	$	2,398
Occupancy related		1,532		1,458
Utilities		1,158		1,379
Deferred revenue		1,171		555
Current portion of finance lease liability		753		510
Other accrued expenses [(1)]		3,412		5,379
Accrued expenses and other current liabilities	$	9,898	$	11,679

(1) Other accrued expenses as of December 31, 2019 included liabilities held in connection with the RCRG Sale which closed in January 2020.

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 consists of a term loan facility in an aggregate principal amount of $25.0 million and a revolving credit facility of $65.0 million (which may be increased to $75.0 million), which includes a letter of credit subfacility in the amount of $15.0 million and a swingline subfacility in the amount of $10.0 million. The 2018 Credit Facility has a four-year term and matures on May 9, 2022.

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”). 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 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 in 2021, $34.0 million in 2022, $37.0 million in 2023 and $45.0 million annually thereafter.

As of March 31, 2020, the Company had $87.4 million of indebtedness (excluding $1.3 million of unamortized debt issuance costs) and $3.2 million of letters of credit outstanding under the Amended Credit Facility. During March of 2020, given the uncertainty surrounding the COVID-19 pandemic, and as a precautionary measure, the Company borrowed $47.0 million under its revolving credit facility. On April 3, 2020, the Company drew down an additional $8.5 million under the 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.

Aggregate maturities for debt outstanding as of March 31, 2020 are as follows (in thousands):

Year 1	$	750
Year 2		1,125
Year 3		1,813
Year 4		2,313
Year 5		81,430
Total	$	87,431

The Company's outstanding indebtedness bore interest at rates between 3.57% to 6.25% during the first quarter 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 March 31, 2020. As of June 17, 2020, the date of this filing, the Company had $62.4 million of cash on hand and $95.9 million of indebtedness.

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.

Upon completion of the first quarter of 2020, due to the impact of the COVID-19 pandemic on its operating results, the Company performed an interim qualitative impairment assessment of goodwill. Based on the qualitative assessment performed, management determined that it is not more likely than not that the Company's goodwill has been impaired as of March 31, 2020 and, as a result, no impairment charge was recorded in the first quarter of 2020.

Adjustments to the fair value of assets measured at fair value on a non-recurring basis as of March 31, 2020 and April 2, 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	
	March 31, 2020	April 2, 2019
Provision for income taxes	$ 13	$ —
Effective tax rate	(0.2)%	—%

The effective tax rate for the first quarter of 2020 and the first quarter of 2019 reflect 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") and incentive bonuses to employees, officers, non-employee directors and other service providers. As of March 31, 2020, approximately 2.8 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	
	March 31, 2020	April 2, 2019
Stock-based compensation expense	$ 159	$ 726
Capitalized stock-based compensation expense	$ 12	$ 11

7. Restaurant Impairments, Closure Costs and Asset Disposals

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

	Fiscal Quarter Ended	
	March 31, 2020	April 2, 2019
Restaurant impairments (1)	$ 127	$ 189
Closure costs (1)	213	(39)
Loss on disposal of assets and other	716	270
	$ 1,056	$ 420

(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 first quarters of 2020 and 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 market 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, but the Company determined that the current trends did not require restaurant impairments as of the completion of the first quarter of 2020. 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 continue 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, and consequently our business.

Each of these periods include ongoing equipment costs for restaurants previously impaired.

Closure costs in the first quarters of 2020 and 2019 include ongoing costs related to restaurants closed in previous years. In addition, closure costs in the first quarter of 2019 were offset by a $0.3 million adjustment to liabilities as lease terminations occur.

Loss on disposal of assets and other includes expenses recognized during the first quarter of 2020 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. 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	
	March 31, 2020	April 2, 2019
Net loss	$ (5,835)	$ (1,851)
Shares:		
Basic weighted average shares outstanding	44,142,220	43,933,235
Effect of dilutive securities	—	—
Diluted weighted average shares outstanding	44,142,220	43,933,235
Loss per share:		
Basic loss per share	$ (0.13)	$ (0.04)
Diluted loss per share	$ (0.13)	$ (0.04)

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 loss per share because the effect of their inclusion would have been anti-dilutive totaled 3,413,108 and 3,245,418 for the first quarter of 2020 and 2019, respectively.

9. Leases

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

	Classification	March 31, 2020	December 31, 2019
Assets			
Operating	Operating lease assets, net	$ 210,254	$ 209,717
Finance	Finance lease assets, net (1)	2,112	771
Total leased assets		$ 212,366	$ 210,488
Liabilities			
Current lease liabilities			
Operating	Current operating lease liabilities	$ 22,982	$ 22,775
Finance	Current finance lease liabilities (2)	753	510
Long-term lease liabilities			
Operating	Long-term operating lease liabilities	228,232	225,014
Finance	Long-term finance lease liabilities (2)	1,382	281
Total lease liabilities		$ 253,349	$ 248,580

(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 $0.4 million and $0.1 million for the first quarter of 2020 and 2019, respectively.

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

	Fiscal Quarter Ended	
	March 31, 2020	April 2, 2019
Cash paid for lease liabilities:		
Operating leases	$ 7,508	$ 10,693
Finance leases	182	217
	$ 7,690	$ 10,910
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	$ 5,724	$ 3,161
Finance leases	1,604	50
	$ 7,328	$ 3,211

Future minimum lease payments required under existing leases as of March 31, 2020 are as follows (in thousands):

	Operating Leases	Finance Leases	Total
Remainder of 2020	$ 32,784	$ 670	$ 33,454
2021	43,135	624	43,759
2022	42,968	482	43,450
2023	41,681	352	42,033
2024	39,572	143	39,715
Thereafter	160,751	37	160,788
Total lease payments	360,891	2,308	363,199
Less: Imputed interest	109,677	173	109,850
Present value of lease liabilities	$ 251,214	$ 2,135	$ 253,349

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 first quarter ended March 31, 2020 and April 2, 2019 (in thousands):

	March 31, 2020	April 2, 2019
Interest paid (net of amounts capitalized)	$ 598	$ 713
Income taxes paid	—	6
Purchases of property and equipment accrued in accounts payable	2,593	1,270

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 and use taxes 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 March 31, 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, $0.6 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 $1.5 million and $1.8 million for the first quarter 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. 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

Customers who register on the Noodles App are automatically enrolled in 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 March 31, 2020 and December 31, 2019, the deferred revenue related to the rewards was $1.2 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 March 31, 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.

13. Subsequent Events

As discussed further in Note 3, Long Term Debt, on June 16, 2020, the Company amended its credit facility.

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.

Impact of COVID-19 Pandemic on Our Business

The COVID-19 pandemic has resulted, and is likely to continue to result, in significant economic disruption and has and will likely continue to materially and adversely affect our business. 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, while substantially all of our restaurants continue to operate, public access to our dining rooms has been restricted in our company owned restaurants, which negatively impacted sales at the end of the quarter and may negatively impact sales until the COVID-19 pandemic moderates. The closure of our dining rooms has shifted demand patterns towards our off-premise offerings, including delivery, which has caused a reduction in our restaurant level margins due primarily to higher delivery fees.

To preserve adequate liquidity, enhance financial flexibility and help mitigate the impact of the COVID-19 pandemic, we have taken the following decisive actions:

- Introduced direct delivery nationwide through the Noodles app and website and expanded our partnership with Uber Eats;
- Launched curbside delivery at the majority of our restaurants;
- Implemented enhanced health and safety protocols across the business, emergency sick pay for hourly employees and telecommuting for the majority of our corporate employees;

- Meaningfully reduced restaurant level costs and general and administrative expenses, including salary reductions for executives and support center employees, furloughing approximately 10% of existing support center employees and an additional 20% of support center employees reduced to half time;
- Postponed or eliminated all non-essential spending, including capital expenditures for previously planned growth and certain additional capital projects, as further described below;
- Began engagement with landlords to negotiate concessions for rent on many of our restaurant leases, and;
- Drew down $47.0 million on our revolver, bringing our cash balance to $50.5 million as of the end of the first quarter of 2020 and drew down an additional $8.5 million on our revolver in April 2020. As of June 17, 2020, the date of this filing, our current cash balance was $62.4 million.

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. While we are unable to determine or predict the nature, duration or scope of the impact that the COVID-19 pandemic will have on our business, results of operations, liquidity or capital resources, we have sought to describe where our company stands today, how our response to the COVID-19 pandemic is progressing and our expectations regarding how our operations and financial condition may change as the fight against the COVID-19 pandemic progresses.

Recent Trends, Risks and Uncertainties

Comparable Restaurant Sales. In the first quarter of 2020, system-wide comparable restaurant sales decreased 7.2%, comprised of a 7.0% decrease for company-owned restaurants and an 8.9% decrease for franchise restaurants.

Sales for the first and second period of 2020 were trending positively as shown below. As we entered the third week of period 3 and as mandated shutdowns and stay at home orders went into effect across the country, our sales were significantly reduced as we began relying solely on off-premise sales. Since the end of the first quarter of 2020 to June 16, 2020, restaurant sales have improved as noted below.

Comparable Restaurant Sales	4 Weeks Ended January 28, 2020 (first period)	4 Weeks Ended February 25, 2020 (second period)	2 Weeks Ended March 10, 2020	March 11-March 31, 2020	Fiscal Quarter Ended March 31, 2020
Company-owned	4.4%	7.4%	4.5%	(45.5)%	(7.0)%
Franchise	2.2%	7.7%	5.2%	(51.3)%	(8.9)%
System-wide	4.1%	7.5%	4.6%	(46.3)%	(7.2)%

Comparable Restaurant Sales	4 Weeks Ended April 28, 2020 (fourth period)	4 Weeks Ended May 26, 2020 (fifth period)	Week Ended June 2, 2020	Week Ended June 9, 2020	Week Ended June 16, 2020	Quarter to Date June 16, 2020
Company-owned	(47.0)%	(28.9)%	(23.2)%	(20.2)%	(14.8)%	(33.2)%
Franchise	(55.5)%	(37.3)%	(25.7)%	(23.2)%	(16.8)%	(39.8)%
System-wide	(48.2)%	(30.1)%	(23.6)%	(20.6)%	(15.1)%	(34.1)%

Our ability to return to positive comparable restaurant sales depends, among others reasons, on (i) the duration of the COVID-19 pandemic and the related mandated shut downs and stay at home orders, (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 cleaning supplies to ensure that our restaurants remain safe for our team members and customers. 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. Similar to much of the restaurant industry, our base labor costs have risen in recent periods. In the first two months of the first quarter 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, during the last month of the quarter, in anticipation of lower sales resulting from the COVID-19 pandemic, we modified our labor model to reduce the number of staffing 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 did not permanently close any company-owned restaurants in the first quarter of 2020. We closed five company-owned restaurants in 2019, most of which were at or approaching the expiration of their leases. From the last half of March through May 2020, nearly all of our dining rooms were closed due to the COVID-19 pandemic. We have begun reopening dining rooms in certain restaurants and will continue to open the remaining dining rooms as appropriate. 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 quarter of 2020, we opened one new company-owned restaurant and sold nine restaurants to a franchisee. As of March 31, 2020, we had 381 company-owned restaurants and 77 franchise restaurants in 29 states and the District of Columbia. In response to the COVID-19 pandemic and to preserve cash, we have substantively halted capital investment in new unit development in the near term. We intend to continue to monitor the impact that the COVID-19 pandemic has on our operating results and liquidity and the resulting recovery from the pandemic, including consumer behavior, and their impact on our strategic development plans, timing and pace of new restaurant openings. We expect to incorporate this information into our strategic growth plan for new restaurants beyond 2021 and we anticipate we could return to a unit growth rate between 5% and 7% beginning in 2022.

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 company-owned restaurants for the trailing 12 periods. 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 consumer traffic and per person spending 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 to EBITDA and adjusted EBITDA:

	Fiscal Quarter Ended	
	March 31, 2020	April 2, 2019
	(in thousands, unaudited)	
Net loss	$ (5,835)	$ (1,851)
Depreciation and amortization	5,335	5,507
Interest expense, net	968	761
Provision for income taxes	13	—
EBITDA	$ 481	$ 4,417
Restaurant impairments, closure costs and asset disposals (1)	1,056	420
Stock-based compensation expense	159	726
Fees and costs related to transactions and other acquisition/disposition costs	89	36
Adjusted EBITDA	$ 1,785	$ 5,599

(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	
	March 31, 2020	April 2, 2019
Company-Owned Restaurant Activity		
Beginning of period	389	394
Openings	1	—
Acquisition (2)	—	1
Divestitures (1)	(9)	—
Restaurants at end of period	381	395
Franchise Restaurant Activity		
Beginning of period	68	65
Openings	—	—
Acquisitions (1)	9	—
Divestiture (2)	—	(1)
Restaurants at end of period	77	64
Total restaurants	458	459

(1) Represents nine company-owned restaurants sold to a franchisee.
(2) During the first quarter of 2019 we acquired one franchise restaurant.

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	
	March 31, 2020	April 2, 2019
	(unaudited)	
Revenue:		
Restaurant revenue	98.4 %	98.8 %
Franchising royalties and fees, and other	1.6 %	1.2 %
Total revenue	100.0 %	100.0 %
Costs and expenses:		
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):		
Cost of sales	25.5 %	26.7 %
Labor	34.7 %	34.1 %
Occupancy	12.2 %	11.4 %
Other restaurant operating costs	16.9 %	15.1 %
General and administrative	10.5 %	9.2 %
Depreciation and amortization	5.3 %	5.0 %
Pre-opening	0.1 %	— %
Restaurant impairments, closure costs and asset disposals	1.1 %	0.4 %
Total costs and expenses	104.8 %	101.0 %
Loss from operations	(4.8)%	(1.0)%
Interest expense, net	1.0 %	0.7 %
Loss before taxes	(5.8)%	(1.7)%
Provision for income taxes	— %	— %
Net loss	(5.8)%	(1.7)%

First Quarter Ended March 31, 2020 Compared to First Quarter Ended April 2, 2019

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

	Fiscal Quarter Ended		Increase / (Decrease)	
	March 31, 2020	April 2, 2019	$	%
	(in thousands, unaudited)			
Revenue:				
Restaurant revenue	$ 98,716	$ 108,765	$ (10,049)	(9.2)%
Franchising royalties and fees, and other	1,632	1,281	351	27.4 %
Total revenue	100,348	110,046	(9,698)	(8.8)%
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	25,204	29,091	(3,887)	(13.4)%
Labor	34,231	37,092	(2,861)	(7.7)%
Occupancy	12,060	12,430	(370)	(3.0)%
Other restaurant operating costs	16,689	16,456	233	1.4 %
General and administrative	10,554	10,140	414	4.1 %
Depreciation and amortization	5,335	5,507	(172)	(3.1)%
Pre-opening	73	—	73	100.0 %
Restaurant impairments, closure costs and asset disposals	1,056	420	636	*
Total costs and expenses	105,202	111,136	(5,934)	(5.3)%
Loss from operations	(4,854)	(1,090)	(3,764)	*
Interest expense, net	968	761	207	27.2 %
Loss before taxes	(5,822)	(1,851)	(3,971)	*
Provision for income taxes	13	—	13	100.0 %
Net loss	$ (5,835)	$ (1,851)	$ (3,984)	*
Company-owned:				
Average unit volume	$ 1,145	$ 1,131	$ 14	1.2 %
Comparable restaurant sales	(7.0)%	3.0%		

* Not meaningful.

Revenue

Total revenue decreased $9.7 million in the first quarter of 2020, or 8.8%, to $100.3 million, compared to $110.0 million in the first quarter of 2019. This decrease was primarily due to a decline in traffic related to the impact of the COVID-19 pandemic during the last few weeks of the quarter, as well as a $2.4 million decrease related to the refranchising of 14 total restaurants since January 2019.

AUV increased $14,000 compared to the prior year. AUV for the trailing twelve months was $1,145,000.

Sales for the first and second period of 2020 were trending positively as discussed below. As we entered the third week of period 3 and as mandated shutdowns and stay at home orders went into effect across the country, our sales were significantly reduced as we began relying solely on off-premise sales.

Through the first two fiscal periods of 2020, system-wide comparable sales were up 7.5%. System-wide comparable restaurant sales were down 7.2% in the first quarter of 2020, comprised of a 7.0% decrease at company-owned restaurants and an 8.9%

decrease at franchise-owned restaurants. The comparable restaurant sales decline in the first quarter of 2020 was driven primarily by a decline in traffic in the last few weeks of the quarter related to the impact of the COVID-19 pandemic, partially offset by increased off-premise sales and a new menu pricing structure.

We are working with our franchisees to support their financial liquidity during this period of uncertainty. We have granted deferral of certain royalties, information technology support, and marketing fees earned from franchisees. Although cash collection is being deferred, revenue continues to be recognized as sales occur.

Cost of Sales

Cost of sales decreased by $3.9 million, or 13.4%, in the first 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 25.5% in the first quarter of 2020 compared to 26.7% in first 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 closure of our dining rooms in response to the COVID-19 pandemic.

Labor Costs

Labor costs decreased by $2.9 million, or 7.7%, in the first quarter of 2020 compared to the same period of 2019. As a percentage of restaurant revenue, labor costs increased to 34.7% in the first quarter of 2020 from 34.1% in the first quarter of 2019 due to the decline in restaurant sales associated with the COVID-19 pandemic, partially offset by labor initiatives.

Occupancy Costs

Occupancy costs decreased by $0.4 million, or 3.0%, in the first quarter of 2020 compared to the first quarter of 2019 primarily due to restaurants closed or impaired since the beginning of the first quarter of 2019 as well as the impact of the nine restaurants sold to a franchisee in January 2020. As a percentage of revenue, occupancy costs increased to 12.2% in the first quarter of 2020, compared to 11.4% in the first 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 $0.2 million, or 1.4%, in the first quarter of 2020 compared to the first quarter of 2019. As a percentage of restaurant revenue, other restaurant operating costs increased to 16.9% in the first quarter of 2020 compared to 15.1% in the first quarter 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 last two weeks of the first quarter of 2020 due to the COVID-19 pandemic.

General and Administrative Expense

General and administrative expense increased by $0.4 million or 4.1% in the first quarter of 2020 compared to the first quarter of 2019, primarily due to increased costs related to our rewards program. As a percentage of revenue, general and administrative expense increased to 10.5% in the first quarter of 2020 from 9.2% in the first quarter of 2019 due primarily to the decline in revenue.

Depreciation and Amortization

Depreciation and amortization decreased by $0.2 million, or 3.1%, in the first quarter of 2020 compared to the first quarter of 2019, due primarily to restaurants closed or impaired since the beginning of the first 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 5.3% in the first quarter of 2020 from 5.0% in the first quarter of 2019.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals increased by $0.6 million in the first quarter of 2020 compared to the first quarter of 2019. We did not record any impairment in the first quarter of 2020 or 2019. Closure costs in the first quarter of 2020 included ongoing costs for previously closed restaurants, as well as adjustments to liabilities as lease terminations occur. Closure costs in the first quarter of 2019 were comprised of a $0.3 million gain primarily relating to changes in our assessment of remaining operating lease terms, offset by $0.3 million of ongoing costs related to restaurants closed in previous years.

Interest Expense

Interest expense increased by $0.2 million in the first quarter of 2020 compared to the first quarter of 2019. The increase was due to higher average borrowings during the first quarter of 2020 compared to the first quarter of 2019.

Provision for Income Taxes

The effective tax rate was (0.2)% for the first quarter of 2020 compared to 0.0% for the first quarter of 2019. The effective tax rate for the first 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.

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”). As of March 31, 2020, our cash and cash equivalents balance was $50.5 million and the amount available for future borrowings under our Amended Credit Facility was $9.0 million. On April 3, 2020, we borrowed an additional $8.5 million.

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 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.

There is significant uncertainty surrounding the potential impact of the COVID-19 pandemic on our results of operations and cash flows. We have proactively taken steps to increase available cash on hand and reduce operating expenses, including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures, and drawing down funds available under our Amended Credit Facility.

Based on our most recent estimates of the COVID-19 pandemic impacts for the next twelve months, 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):

	Fiscal Quarter Ended	
	March 31, 2020	April 2, 2019
Net cash (used in) provided by operating activities	$ (658)	$ 114
Net cash used in investing activities	(3,919)	(5,551)
Net cash provided by financing activities	44,648	2,582
Net increase (decrease) in cash and cash equivalents	$ 40,071	$ (2,855)

Operating Activities

Net cash used in operating activities increased to $0.7 million in the first quarter of 2020 from net cash provided by operating activities of $0.1 million in the first quarter of 2019. The decline in operating cash flows resulted primarily from decreased net income during the first quarter of 2020 compared to the prior comparable period, adjusted for non-cash items such as depreciation and amortization, restaurant impairments, closure costs and asset disposals, stock-based compensation and changes in working capital due to timing.

Investing Activities

Net cash used in investing activities decreased $1.6 million in the first quarter of 2020 from $5.6 million in the first quarter of 2019. This decrease was mainly due to the 2019 acquisition of a franchise restaurant.

Financing Activities

Net cash provided by financing activities was $44.6 million in the first quarter of 2020 largely related to precautionary draws on our revolving credit facility totaling $47.0 million. The first quarter of both 2020 and 2019 included net proceeds received from borrowings made from the swing line loan, net of 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 COVID-19 pandemic, for fiscal 2020, we have 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 $8.0 million to $10.0 million for fiscal year 2020, primarily for repairs and maintenance and the opening of two to four company 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. With uncertainty surrounding the COVID-19 pandemic and as a precautionary measure, we borrowed $47.0 million under our revolving credit facility to improve our cash position, providing the Company with a cash balance of approximately $50.5 million at the end of the first fiscal quarter of 2020 compared to $10.5 million as of December 31, 2019. Additionally, we drew down an additional $8.5 million during the first week of the second quarter of 2020. We believe that our current cash and cash equivalents, the expected cash flows from company-owned restaurant operations and the expected franchise fees and royalties will be sufficient to fund our cash requirements for working capital needs and capital improvements and maintenance of existing restaurants for 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 “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 Amended Credit Facility, the Company repaid in full its outstanding indebtedness under its prior credit facility using funds drawn on the Amended Credit Facility. Upon repayment, the prior credit facility and all related agreements were terminated.

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.

In light of the current uncertainty in the global markets resulting from the COVID-19 pandemic, we increased our borrowing as a precautionary measure in order to bolster our cash position and enhance financial flexibility. The borrowings are reflected on our balance sheet as cash and cash equivalents and may in the future be used for general corporate purposes, including, without limitation, working capital, capital expenditures in the ordinary course of business, or other lawful corporate purposes, all in accordance with and subject to the terms and conditions of the Amended Credit Facility.

As discussed above, 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").

As of March 31, 2020, we had $87.4 million of indebtedness (excluding $1.3 million of unamortized debt issuance costs) and $3.2 million of letters of credit outstanding under the 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. As of June 17, 2020, the date of this filing, our current cash balance was $62.4 million.

Our 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 estimates of the COVID-19 pandemic impact, 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 March 31, 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 March 31, 2020, we had $87.4 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 $0.9 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, in which event could change interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be affected.

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 quarter 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 chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 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 chief executive officer and chief 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 financial 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 March 31, 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 other than as noted below. This risk factor is intended to be an update to the Risk Factor related to an outbreak of disease, epidemic or pandemic found in our Form 10-K filed on February 26, 2020.

The recent and ongoing COVID-19 pandemic has, and we expect will continue to materially affect our operations, as well as the business or operations of third parties with whom we conduct business such as our suppliers and franchisees.

In December 2019, a novel strain of coronavirus, SARS-CoV-2, causing a disease referred to as COVID-19, was reported to have surfaced in Wuhan, China. Since then, COVID-19 has spread to other countries, including the United States. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Further, the President of the United States declared the COVID-19 pandemic a national emergency. Similarly, several states in which we operate declared states of emergency related to the spread of COVID-19 and issued executive orders directing individuals to stay at their place of residence for an indefinite period of time and the vast majority required the closures of restaurant dining rooms (subject to certain exceptions to facilitate authorized necessary activities) to mitigate the impact of the COVID-19 pandemic.

In response to these public health directives and orders, we have introduced direct delivery nationwide through the Noodles app and website, expanded our third-party delivery service and launched curbside delivery at all of our restaurants. Despite our mitigating efforts, the effects of the executive orders and shelter-in-place orders may materially and adversely affect our business, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. These and similar, and perhaps more severe, disruptions in our operations could negatively impact our business, operating results and financial condition.

Although the ultimate severity of the COVID-19 pandemic is uncertain at this time, we expect that the pandemic will continue to adversely impact the Company's financial condition and results of operations, including, but not limited to:

- We have experienced and we expect we will continue to experience significant reductions in demand for our products as customers may not be able to dine at our restaurants due to illness, quarantine or government or self-imposed restrictions placed on our restaurants' operations. From the last half of March through May 2020, nearly all of our dining rooms were closed due to the COVID-19 pandemic. We have begun reopening dining rooms in certain restaurants and will continue to open the remaining dining rooms as appropriate. Additionally, social distancing measures or changes in consumer spending behaviors due to the COVID-19 pandemic as customers choose to avoid public gathering places may continue to impact traffic in our restaurants after they resume normal operations and such actions could result in a loss of sales and profit.

- The impact of a health pandemic on us might be disproportionately greater than on other dining concepts that depend less on the gathering of people. To the extent that a virus or disease is food-borne, or perceived to be food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause our customers to eat less of a product.

- Depending on the severity and the duration of the COVID-19 pandemic, our franchisees may not be able to meet the franchise royalty fee obligations that we have historically received. We are working with our franchisees to support their financial liquidity during this period of uncertainty. We have granted deferral of certain royalties, information technology support, and marketing fees earned from franchisees.

- Depending on the severity and the duration of the COVID-19 pandemic, our liquidity may be further negatively impacted, as a result, we may be required to pursue additional sources of financing to meet our financial obligations. Obtaining such financing is not guaranteed and is largely dependent upon market conditions and other factors. Further actions may be required to improve our cash position, including but not limited to, further reductions of corporate expenses and foregoing additional capital expenditures and other discretionary expenses.

- As more business and activities have shifted online due to the COVID-19 pandemic restrictions on congregating and physical movements, we have seen an increase in cyber security threats and attempts to breach our security networks.

The extent of the impact of the COVID-19 pandemic on the Company's operations and financial results depends on future developments and is highly uncertain due to the unknown duration and severity of the outbreak. The situation is changing rapidly and future impacts may materialize that are not yet known.

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	Form of Performance Restricted Stock Unit Agreement
10.2	Compensation Plan for Non-Employee Directors Amended and Restated September 19, 2019
10.3*	Temporary Salary Protection Waiver Letter between Noodles & Company and Dave Boennighausen dated April 1, 2020
10.4	Second Amendment to Credit Agreement dated June 16, 2020, by and among Noodles & Company, each of the Guarantors signatory thereto, U.S. Bank National Association, as Administrative Agent, L/C Issuer and Swing Line Issuer and the lenders signatory thereto
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal 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/ KEN KUICK
	Ken Kuick *Chief Financial Officer (principal financial officer and duly authorized signatory for the registrant)*
Date	June 17, 2020

EXHIBIT 10.1

Form of PSU Agreement

PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT

This PERFORMANCE RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is made as of ___________, 2020 (the "Effective Date") by and between Noodles & Company, a Delaware corporation (the "Company"), and _____________ (the "Participant").

RECITALS

A. The Company has adopted the Noodles & Company Amended and Restated 2010 Stock Incentive Plan (the "Plan"), a copy of which is attached hereto as Exhibit 1.

B. The Company desires to grant the Participant the right to a proprietary interest in the Company to encourage the Participant's contribution to the success and progress of the Company.

C. In accordance with the Plan, the Administrator (as defined in the Plan) has granted to the Participant restricted stock units with respect to a target number of ____ shares (the “Target Number”) of Class A Common Stock of the Company, par value $0.01 per share ("Shares"), subject to the terms and conditions of the Plan and this Agreement.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual terms, conditions and other covenants and agreements set forth herein, the parties hereto hereby agree as follows:

1. Definitions. Capitalized terms used herein shall have the following meanings, and capitalized terms not otherwise defined herein shall have the meaning specified in the Plan:

"Adjusted EBITDA" means, for the Performance Period, the Company’s aggregate earnings before interest, taxes, depreciation and amortization, adjusted for (a) restaurant impairments, closure costs and asset disposals; (b) data breach liabilities; (c) material litigation settlements; severance costs; (d) stock-based compensation expenses; and (e) other adjustments to the Adjusted EBITDA disclosure in the Company’s annual Form 10-K filed with the Securities and Exchange Commission. The Adjusted EBITDA results shall be appropriately adjusted by the Administrator to exclude the effect of acquisitions and dispositions and in such other circumstances as it deems appropriate.

"Agreement" has the meaning set forth in the Preamble.

"Business Day" means a day other than Saturday, Sunday or any day on which banks located in the State of New York are authorized or obligated to close.

"Cause" has the meaning in the Participant's employment or severance protection agreement with the Company or, if there is no such agreement or definition, means that the Participant (a) is convicted of, or pleads guilty or *nolo contendere* to, a felony (other than a traffic-related felony) or any other crime involving dishonesty or moral turpitude; or (b) willfully engages in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company; or (c) willfully violates any noncompetition or nonsolicitation covenant between the Participant and the Company. The determination of "Cause" shall be in the reasonable discretion of the Administrator.

"Change in Control Price" means the price per Share on a fully-diluted basis offered in conjunction with any transaction resulting in a Change in Control as determined in good faith by the Administrator as constituted before the Change in Control, or in the case of a Change in Control that does not result in a payment for Shares, the average Fair Market Value of a Share on the 30 trading days immediately preceding the date on which the Change in Control occurs.

"Company" has the meaning set forth in the Preamble.

"Disability" has the meaning ascribed to such term in the Plan.

"Effective Date" has the meaning set forth in the Preamble.

"Employer" means the Company and/or any of its subsidiaries with which the Participant is employed.

"Participant" has the meaning set forth in the Preamble.

"Performance Period" means the Company's fiscal year beginning January 1, 2020 and the two next-following fiscal years.

"Person" means and includes an individual, a partnership, a corporation, a limited liability company, a trust, a joint venture, an unincorporated organization and any governmental or regulatory body or agency or other authority.

"Plan" has the meaning set forth in the Recitals.

"PSUs" has the meaning set forth in Section 2.

"Sales Growth" means the average of the annual percentage changes in the comparable restaurant sales (*i.e.*, the year-over-year percentage change in sales) of the Company and its franchisees for restaurants that have been open for at least 18 months, for the three fiscal years in the Performance Period.

"Shares" has the meaning set forth in the Recitals.

"Termination Date" means the date on which the Participant experiences a Termination of Employment (as defined in the Plan).

"Withholding Obligation" means the amount determined in the Administrator's sole discretion to be the minimum sufficient to satisfy all federal, state, local and other withholding tax obligations that the Administrator determines may arise with respect to the issuance of Shares or payment of income earned in respect of any PSUs.

2. Grant of PSUs. The Company grants to the Participant performance restricted stock units (the "PSUs") with respect to the Target Number of Shares, subject to adjustment as provided herein.

3. Earned PSUs.

(a) Fifty percent (50%) of the PSUs with respect to the Target Number of Shares shall be eligible to be earned and vest as follows (the "Sales-Based PSUs"), based on achievement of Sales Growth for the Performance Period:

Sales Growth of less than 1.0%: None of the Sales-Based PSUs will be earned or eligible to vest.

Sales Growth of at least 1.0% ("Threshold Sales Growth Goal"): 25% of Sales-Based PSUs will be earned and eligible to vest.

Sales Growth of at least 3.0% ("Target Sales Growth Goal"): 100% of Sales-Based PSUs will be earned and eligible to vest.

Sales Growth of at least 5.0% ("Maximum Sales Growth Goal"): 200% of Sales-Based PSUs will be earned and eligible to vest.

If actual Sales Growth for the Performance Period is between the Threshold Sales Growth Goal and the Target Sales Growth Goal, or between the Target Sales Growth Goal and the Maximum Sales Growth Goal, the number of Sales-Based PSUs that will be earned and eligible to vest will be determined by linear interpolation. For example, if Sales Growth were 4.0%, then 150% of Sales-Based PSUs would be earned and eligible to vest.

(b) Fifty percent (50%) of the PSUs with respect to the Target Number of Shares shall be eligible to be earned and vest as follows (the "EBITDA-Based PSUs"), based on achievement of Adjusted EBITDA for the Performance Period:

Adjusted EBITDA of less than $134.7MM: None of the EBITDA-Based PSUs will be earned and be eligible to vest.

Adjusted EBITDA of at least $134.7MM ("Threshold EBITDA Goal"): 25% of EBITDA-Based PSUs will be earned and eligible to vest.

Adjusted EBITDA of at least $152.8MM ("Target EBITDA Goal"): 100% of EBITDA-Based PSUs will be earned and eligible to vest.

Adjusted EBITDA of at least $167.8MM ("Maximum EBITDA Goal"): 200% of EBITDA-Based PSUs will be earned and eligible to vest.

If actual Adjusted EBITDA for the Performance Period is between the Threshold EBITDA Goal and the Target EBITDA Goal, or between the Target EBITDA Goal and the Maximum EBITDA Goal, the number of EBITDA-Based PSUs that will be earned and be eligible to vest will be determined by linear interpolation. For example, if Adjusted EBITDA were $160.3MM, then 150% of EBITDA-Based PSUs would be earned and eligible to vest.

4. Vesting. Any PSUs that are earned pursuant to Section 2 shall vest on ________, 2023 (the "Vesting Date"), subject to the Participant remaining continuously employed by the Employer through that date. Notwithstanding the foregoing, the PSUs shall be treated as follows for certain types of Terminations of Employment prior to the Vesting Date:

(a) Death/Disability. If the Participant's Termination of Employment is due to death or Disability prior to the Vesting Date, any PSUs that are earned pursuant to Section 2 shall be paid to the Participant (or, as applicable, his or her estate) following the end of the Performance Period, at the time specified in Section 5.

5. Change in Control.

(a) In the event a Change in Control occurs before the end of the Performance Period, unless otherwise determined by the Administrator in its discretion and subject to Section 5(b), the PSUs shall be converted into time-vesting restricted stock units or such other rights as determined by the Administrator (collectively, "RSUs") as follows. If the Change in Control occurs prior to the last day of the first fiscal year in the Performance Period, the number of RSUs shall equal the PSUs that would have been earned based on achievement at the Target Sales Growth Goal and the Target EBITDA Goal. If the Change in Control occurs on or after the first day of the second fiscal year in the Performance Period, the number of RSUs shall equal the number of PSUs that are earned through the date of the Change in

Control as determined by the Administrator in its discretion based on actual performance (using the annual goals for the three fiscal years in the Performance Period taken into account by the Administrator in determining the Sales Growth and Adjusted EBITDA goals for the entire Performance Period) through the day immediately preceding the Change in Control. Any such RSUs shall be eligible to vest on the Vesting Date subject to the Participant remaining continuously employed by the Employer through that date; provided, however, that if the Participant's Termination of Employment is by the Employer without Cause within 12 months following the Change in Control, the RSUs shall vest upon such termination.

(b) Notwithstanding Section 5(a), if the PSUs (or, as applicable, RSUs) are not continued, assumed or substituted for in a Change in Control, the PSUs shall be earned to the extent determined by the Administrator (taking into account the principles in Section 5(a) for conversion to RSUs), such earned PSUs shall vest upon the Change in Control, and the Participant will receive with respect to such PSUs either (i) the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Shares for each Share held on the effective date of the Change in Control, (ii) common stock of the successor to the Company with a value equal to the Change in Control Price, or (iii) cash equal to the Change in Control Price, as determined by the Administrator in its discretion.

6. Settlement.

(a) The PSUs (or, if Section 5 applies, the RSUs) shall be settled promptly following the Vesting Date (or, if the last sentence of Section 5 applies, within 10 days following the Participant's Termination Date) by the Company delivering to the Participant one Share for each PSU that has been earned and vests. In no event shall such settlement occur later than March 15 of the year following the year in which the PSUs (or, as applicable, RSUs) vest.

(b) All PSUs that are not earned or that do not vest shall immediately expire on the Termination Date.

7. Dividends. Any cash dividends paid with respect to Shares before settlement of the shares underlying unvested PSUs (or RSUs, if applicable) shall not be paid currently, but shall be converted into additional PSUs (or RSUs, if applicable) to be settled pursuant to Section 6 at the same time as the underlying earned and vested PSUs (or RSUs, if applicable). Any PSUs resulting from such conversion (the "Dividend Units") will be considered PSUs (or RSUs, if applicable) for purposes of this Agreement and will be subject to all of the terms, conditions and restrictions set forth herein that apply to the underlying PSUs (or RSUs, if applicable) that generated the Dividend Units. As of each date that the Company would otherwise pay the declared dividend on the Shares underlying the PSUs or RSUs (the "Dividend Payment Date") in the absence of the reinvestment requirements of this Section, the number of Dividend Units will be determined by dividing the amount of dividends otherwise attributable to the PSUs or RSUs but not paid on the Dividend Payment Date by the Fair Market Value of the Shares on the Dividend Payment Date.

8. No transferability of the PSUs. Except as permitted by the Administrator or as permitted under the Plan, the Participant may not assign or transfer the PSUs to anyone other than by will or the laws of descent and distribution. The Company may cancel the Participant's PSUs if the Participant attempts to assign or transfer them in a manner inconsistent with this Section 8.

9. Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property, but excluding regular, quarterly and other periodic cash

dividends),stock split or a combination or consolidation of the outstanding Shares into a lesser number of shares, is declared with respect to the Shares, then the PSUs shall be subject to adjustment as provided in Section 12(a) of the Plan.

10. Restrictions on Resales of Shares. The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any Shares issued as a result of the settlement of the PSUs, including without limitation (a) restrictions under an insider trading policy,(b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other grantees and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

11. No Interest in Shares Subject to PSUs. Neither the Participant (individually or as a member of a group) nor any beneficiary or other Person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any Shares allocated or reserved for the purpose of the Plan or subject to this Agreement except as to such Shares, if any, as shall have been issued to such Person following vesting of the PSUs.

12. Plan Controls. The PSUs hereby granted are subject to, and the Company and the Participant agree to be bound by, all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof; provided, however, that no such amendment shall be effective as to the PSUs without the Participant's consent insofar as it adversely affects the Participant's material rights under this Agreement, which consent will not be unreasonably withheld by the Participant.

13. Not an Employment Contract. Nothing in the Plan, this Agreement or any other instrument executed pursuant hereto or thereto shall confer upon the Participant any right to continue in the employ of the Employer or any affiliate thereof or shall affect the right of the Employer to terminate the employment of the Participant at any time with or without Cause (unless otherwise set forth in an employment agreement between the Company and the Participant).

14. 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 Delaware other than principles of law that would apply the law of another jurisdiction.

15. Taxes. The Administrator may, in its sole discretion, make such provisions and take such steps as it may deem necessary or appropriate to satisfy the Withholding Obligations with respect to the issuance of Shares, including deducting the amount of any such Withholding Obligations from any other amount then or thereafter payable to the Participant, requiring the Participant to pay to the Company the amount of such Withholding Obligations or to execute such documents as the Administrator deems necessary or desirable to enable it to satisfy the Withholding Obligations, or any other means provided in the Plan; provided, however, that, the Participant may satisfy any Withholding Obligations by (i) directing the Company to withhold that number of Shares with an aggregate fair market value equal to the amount of the Withholding Obligations or (ii) delivering to the Company such number of previously held Shares that have been owned by the Participant with an aggregate fair market value equal to the amount of the Withholding Obligations.

16. Notices. All notices, requests, demands and other communications called for or contemplated hereunder shall be in writing and shall be deemed to have been given when delivered to the party to whom addressed or when sent by telecopy (if promptly confirmed by registered or certified mail, return receipt requested, prepaid and addressed) 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:

If to the Company to:

Noodles & Company

520 Zang Street, Suite D

Broomfield, CO 80021

Fax: (720) 214-1921

Attention: General Counsel

If to the Participant to the address set forth below the Participant's signature below.

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section 16, be deemed given upon delivery,(ii) if delivered by facsimile transmission to the facsimile number as provided for in this Section 16, be deemed given upon facsimile confirmation,(iii) if delivered by mail in the manner described above to the address as provided for in this Section 16, be deemed given on the earlier of the third Business Day following mailing or upon receipt, and (iv) if delivered by overnight courier to the address as provided in this Section 16, be deemed given on the earlier of the first Business Day following the date sent by such overnight courier or upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice is to be delivered pursuant to this Section 16. Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto.

Either party may, by notice given to the other party in accordance with this Section 16, designate another address or Person for receipt of notices hereunder.

17. Amendments and Waivers. This Agreement shall not be changed, altered, modified or amended, except by a written agreement signed by both parties hereto. 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. Any waiver by any party of any provision hereof shall be effective only by a writing signed by the party to be charged.

18. Entire Agreement. This Agreement, together with the Plan, sets forth the entire agreement and understanding between the parties hereto as to the subject matter hereof and thereof and supersedes all prior oral and written and all contemporaneous oral discussions, agreements and understandings of any kind or nature, regarding the subject matter hereof and thereof between the parties hereto.

19. Separability. If any term or provision of this Agreement shall to any extent be invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement nevertheless shall remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party.

Upon such determination that any term or provision is invalid, illegal or incapable of being enforced, the invalid or unenforceable provisions, to the extent permitted by law, shall be deemed amended and given such interpretation so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the maximum extent possible.

20. Headings; Construction. Headings in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation."

21. 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.

22. Further Assurances. The Participant shall cooperate and take such action as may be reasonably requested by the Company in order to carry out the provisions and purposes of this Agreement.

23. Remedies. In the event of a breach by any party to this Agreement of its obligations under this Agreement, any party injured by such breach, in addition to being entitled to exercise all rights granted by law, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. The parties agree that the provisions of this Agreement shall be specifically enforceable, it being agreed by the parties that the remedy at law, including monetary damages, for breach of any such provision will be inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is hereby waived.

24. Electronic Delivery. By executing the Agreement, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the subsidiaries, the Plan, the PSUs and the Shares via Company web site or other electronic delivery

25. Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective permitted successors and assigns, including any Permitted Transferees.

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

THE COMPANY:

NOODLES & COMPANY

By: ______________________________

Name: ______________________________
Title: ______________________________

PARTICIPANT:

____

Name: ______________________________
Address: ______________________________
Tel: ______________________________

EXHIBIT 10.2

NOODLES & COMPANY

COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
AMENDED AND RESTATED SEPTEMBER 19, 2019

I. PURPOSE

1.1 The purpose of the Noodles & Company Compensation Plan for Non-Employee Directors (this "Plan") is to provide a comprehensive compensation program to attract and retain qualified individuals who are not employed by Noodles & Company (the "Company") or its subsidiaries to serve on the Company's Board of Directors. In particular, this Plan aligns the interests of such directors with those of the Company's shareholders by providing that a significant portion of such directors' compensation is directly linked to the value of the Company's common stock. This amendment and restatement of the Plan is effective beginning September 19, 2019.

1.2 Non-Covered Non-Employee Directors. This Plan shall not apply to any non-employee director serving on the Company's Board of Directors who formerly held a management position at the Company, and no such individual shall be eligible for any grants or payments hereunder. For purposes of this Plan a "management position" is defined to include the Company's Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Operations Officer, Chief Marketing Officer, and equivalent positions thereto.

II. CASH RETAINERS

2.1 Annual Board Retainer. Except as provided in Section 2.2 of this Plan with regard to the Board Chair, each non-employee director shall be entitled to receive an annual cash retainer for his or her Board service, in such amount as determined by the Board of Directors from time to time, which shall be payable in quarterly installments. As of September 19, 2019, this amount is $50,000. This retainer is in addition to the retainers set forth in Sections 2.3 through 2.4 below.

2.2 Annual Retainer for Board Chair. A non-employee director appointed to act as Board Chair ("Chair") shall receive a cash retainer for his or her service as Chair, in such amount as determined by the Board of Directors from time to time, which shall be paid in quarterly installments. As of September 19, 2019, this amount is $100,000 per annum. This retainer is in addition to the retainers set forth in Sections 2.3 through 2.4 below.

2.3 Committee Retainer. A non-employee director appointed as a member of a standing committee of the Board of Directors shall receive an annual cash retainer, payable in quarterly installments, in such amount as determined by the Board of Directors from time to time. These committee retainers are in addition to the annual retainers set forth in Section 2.1 and 2.2 above. As of September 19, 2019, the retainer amounts are, as follows:

2.3.1. Audit Committee members shall receive an annual cash retainer in the total amount of $15,000.

2.3.2 Compensation Committee members shall receive an annual cash retainer in the total amount of $10,000.

2.3.3 Nominating and Governance Committee members shall receive an annual cash retainer in the total amount of $5,000.00.

2.4 Retainer for Committee Chairs. A non-employee director appointed to chair a standing committee of the Board of Directors shall be paid an annual cash retainer, payable in quarterly installments, in such amount as determined by the Board of Directors from time to time. These committee chair retainers are in addition to the retainers set forth in Sections 2.1 and 2.2 above. As of September 19, 2019, the retainer amounts are, as follows:

2.4.1 Audit Committee Chair shall receive an annual cash retainer of $10,000.

2.4.2 Compensation Committee Chair shall receive an annual cash retainer of $10,000.

2.4.3 Nominating and Governance Committee Chair shall receive an annual cash retainer of $5,000.

2.5 Pro-Rata Retainer. A non-employee director who commences service after the Annual Meeting of Shareholders shall be entitled to a pro-rated annual cash retainer as well as pro-rated annual committee and committee chair retainers, or an additional retainer for acting as Board Chair, as applicable, and as approved by the incumbent non-employee directors. The amount of the retainer(s) shall be determined based on the number of full months during the year period (which shall be measured from the date of the current calendar year Annual Meeting of Shareholders to the date of the following calendar year Annual Meeting of Shareholders) that a new non-employee director is in active service. The pro-rated portion of the annual retainer, if any, shall be payable in quarterly installments.

III. EQUITY AWARDS

3.1 Company's Stock Incentive Plan. Grants of equity awards made under this Plan shall be made under the Company's stock incentive plan that is in effect from time to time ("Stock Plan"). The terms "Fair Market Value" and "Stock" used in this Article III shall have the meanings set forth in the Stock Plan.

3.2 Annual Retainer Grants. At the close of business on the date of each Annual Meeting of Shareholders, other than the Board Chair, whose retainer is addressed in Section 3.2.1 below, each non-employee director who then continues as a member of the Board of Directors may be granted restricted stock units ("RSUs") in such amounts as determined by the Board of Directors from time to time. Notwithstanding the foregoing, the Board of Directors may grant any one or more of the awards set forth under the Stock Plan in such amounts and on such terms as determined by the Board of Directors from time to time. As of September 19, 2019, the Fair Market Value of the RSUs granted is $55,000.

3.2.1 Annual Retainer Grant for Board Chair. At the close of business on the date of each Annual Meeting of Shareholders, the Board Chair who then continues in his/her role as Board Chair may be granted restricted stock units ("RSUs") in such amounts as determined by the Board of Directors from time to time. Notwithstanding the foregoing, the Board of Directors may grant any one or more of the awards set forth under the Stock Plan in such amounts and on such terms as determined by the Board of Directors from time to time. As of September 19, 2019, the Fair Market Value of the RSUs granted to the Board Chair is $100,000.

3.3 Vesting of RSUs. A non-employee director's RSUs shall be fully vested upon grant.

3.4 Pro-Rata Awards. A non-employee director who commences service after the Annual Meeting of Shareholders will receive a pro-rated equity award upon the date of their appointment as director based upon the Fair Market Value of the equity award granted to the incumbent non-employee directors in the year in which such director was appointed or as otherwise approved by the incumbent non-employee directors. The amount of the award shall be determined based on the number of full months during the year period (which shall be measured from the date of the current calendar year Annual Meeting of Shareholders to the date of the following calendar year Annual Meeting of Shareholders) that a new non-employee director is in active service.

3.5 Settlement of RSUs. The RSUs shall be settled by delivering shares of Stock promptly following vesting. Notwithstanding the foregoing, at the election of the non-employee director, settlement of the Stock may be deferred until the earlier of the director's separation from Board service or a change in control of the Company, provided that any such election shall comply with the requirements of Section 409A of the Internal Revenue Code.

IV. ADDITIONAL PROVISIONS

4.1 This Plan shall be administered by the Board of Directors, which shall have the power to interpret this Plan and amend it from time to time as it deems proper. To the fullest extent practicable, however, the terms and conditions of the Stock Plan shall be applicable to equity awards granted under this Plan.

4.2 This Plan may be suspended or terminated at any time by action of the Board of Directors. Notwithstanding any such suspension or termination, the Company shall remain obligated to pay cash retainer amounts earned but not yet paid and any outstanding equity awards under this Plan will continue to be governed by the terms of this Plan as in effect at the time of such suspension or termination, the Stock Plan or a prior stock plan, as applicable, and any applicable stock incentive award agreements.

4.3 Unless otherwise provided by the Board of Directors, the right to receive any compensation under this Plan, whether under new or outstanding equity awards, may not be transferred, assigned, or subject to attachment or other legal process.

4.4 To the extent any amounts paid under this Plan are subject to Section 409A of the Internal Revenue Code, this Plan will be interpreted in a manner to comply with the requirements of Section 409A of the Internal Revenue Code.

4.5 Subject to Sections 4.2 and 4.3 above, any outstanding equity awards under this Plan will continue to be governed by the terms of this Plan as in effect at the time such awards were granted.

4.6 This Plan shall be governed by and subject to the laws of the State of Delaware and applicable Federal laws.

EXHIBIT 10.3

April 1, 2020

Dave Boennighausen

Dear Dave:

Pursuant to your Employment Agreement dated as of September 21, 2017 with the Company, you are entitled to receive a base salary as determined by the Compensation Committee which is subject to increase as determined by the Committee, but which may not be decreased below the level set forth in the Employment Agreement ("Salary Protection"). Given the current crisis surrounding Covid-19 and the recommendation of the Compensation Committee, you have agreed to temporarily waive the Salary Protection provisions in your Employment Agreement as is further reflected in the attached Unanimous Written Consent of the Compensation Committee. By signing below, you are acknowledging you agree to this temporary waiver.

Sincerely,

By:	/s/ MELISSA M. HEIDMAN
Name:	Melissa M. Heidman
Title:	Executive Vice President and General Counsel

Acknowledged by:

By:	/s/ DAVE BOENNIGHAUSEN
Name:	Dave Boennighausen
Title:	Chief Executive Officer

<u>SECOND AMENDMENT</u>
<u>TO</u>
<u>CREDIT AGREEMENT</u>

This SECOND AMENDMENT TO CREDIT AGREEMENT dated as of June 16, 2020 (this "<u>Amendment</u>") is by and among (a) NOODLES & COMPANY (the "<u>Borrower</u>"), (b) each of the Guarantors (as defined in the Credit Agreement referred to below) signatory hereto, (c) U.S. BANK NATIONAL ASSOCIATION, as administrative agent (in such capacity, the "<u>Administrative Agent</u>"), L/C Issuer and Swing Line Lender (each such term defined in the Credit Agreement referred to below) and (d) the lenders signatory hereto and amends that certain Credit Agreement, dated as of May 9, 2018 (as amended by the FIRST AMENDMENT TO CREDIT AGREEMENT dated as of November 20, 2019 and as further amended, restated, extended, supplemented, modified and otherwise in effect from time to time, the "<u>Credit Agreement</u>"), by and among the Borrower, the other Loan Parties (as defined in the Credit Agreement) party thereto, the Lenders (as defined in the Credit Agreement) party thereto, the Administrative Agent, and U.S. Bank National Association, as L/C Issuer and Swing Line Lender. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Borrower and the Guarantors desire, among other things, to modify certain terms and conditions of the Credit Agreement as set forth in this Amendment; and

WHEREAS, Administrative Agent and the Lenders have agreed to amend certain provisions of the Credit Agreement as provided more fully herein below.

NOW THEREFORE, in consideration of the mutual agreements contained in the Credit Agreement and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

§1. <u>Amendments to the Credit Agreement.</u>

§1.1 <u>Amendment to Section 1.01</u>. The definition of "<u>Applicable Rate</u>" in Section 1.01 of the Credit Agreement is hereby amended and restated as follows:

"<u>Applicable Rate</u>" means, applicable percentage per annum set forth below for each Type of Loan (and for the Letter of Credit Fees and Commitment Fees) determined by reference to the Consolidated Total Lease Adjusted Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to <u>Section 6.02(a)</u>:

Pricing Level	Consolidated Total Lease Adjusted Leverage Ratio	Eurodollar Rate Loans and Letter of Credit Fees	Base Rate Loans	Commitment Fee
1	<3.00:1.00	2.00%	1.00%	0.20%
2	≥3.00:1.00 but <3.50:1.00	2.25%	1.25%	0.25%
3	≥3.50:1.00 but <4.00:1.00	2.50%	1.50%	0.30%
4	≥4.00:1.00 but <4.50:1.00	2.75%	1.75%	0.35%
5	≥4.50:1.00	3.00%	2.00%	0.40%

Any increase or decrease in the Applicable Rate resulting from a change in the Consolidated Total Lease Adjusted Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.02(a); provided, however, that if a Compliance Certificate is not delivered when due in accordance with such Section, then, Pricing Level 5 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered.

Notwithstanding anything to the contrary contained in this definition, from the Second Amendment Effective Date until the date on which the Compliance Certificate for the Fiscal Quarter ending on September 28, 2021 is delivered pursuant to Section 6.02(a) the Applicable Rate shall be:

Eurodollar Rate Loans and Letter of Credit Fees	Base Rate Loans	Commitment Fee
3.25%	2.25%	0.50%

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Sections 2.08(b) and 2.10.

§1.2 Amendment to Section 1.01. The definition of "Consolidated EBITDAR" in Section 1.01 of the Credit Agreement is hereby amended and restated as follows:

"Consolidated EBITDAR" means, as of the date of determination, an amount equal to (without duplication) (i) Consolidated EBITDA for the most recently completed Measurement Period, plus (ii) Consolidated Cash Rental Expense for the most recently completed Measurement Period; provided, that solely for purposes of determining compliance with Sections 7.11(a) and 7.11(b) Consolidated EBITDAR for the fiscal quarter ending on: (i) June 29, 2021, Consolidated EBITDAR shall be calculated by multiplying the Consolidated EBITDAR for the most recently completed two Fiscal Quarters by two; and (ii) September 28, 2021, Consolidated EBITDAR shall be calculated by multiplying the Consolidated EBITDAR for the most recently completed three Fiscal Quarters by 4/3.

§1.3 Amendment to Section 1.01. The definition of "Major Casualty Proceeds" in Section 1.01 of the Credit Agreement is hereby amended by deleting the reference to "$1,000,000" therein and replacing it with "$250,000".

§1.4 Amendment to Section 1.01. The definition of "Material Adverse Effect" in Section 1.01 of the Credit Agreement is hereby amended and restated as follows:

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, assets, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (b) a material impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document, or of the ability of the Borrower or any other Loan Party to perform its obligations under any Loan Document to which it is a party, or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower or any Loan Party of any Loan Document to which it is a party.

§1.5 Amendment to Section 1.01. Section 1.01 of the Credit Agreement is hereby amended by adding the following new definitions in the appropriate alphabetical order:

"Capital Expenditure Performance Basket" means as of the date of measurement the Liquidity in excess of $22,500,000 multiplied by 0.50; provided, that the Capital Expenditure Performance Basket shall not exceed $12,000,000 at any time.

"Liquidity" means as of the date of measurement the sum of: (i) unrestricted cash on deposit with the Lenders and Cash Equivalents and (ii) the amount available to borrow under the Revolving Credit Facility as set forth in Section 2.01(b).

"Loan Modification Period" means the period from the Second Amendment Effective Date through and including September 28, 2021.

"Second Amendment Effective Date" means June 16, 2020.

§1.6 Amendment to Section 2.05. Section 2.05 of the Credit Agreement is hereby amended by amending and restating clause (c)(ii) of such section in its entirety as follows:

(ii) no later than five (5) Business Days following the date on which any Loan Party or any of its Subsidiaries (or Administrative Agent as loss payee or assignee) receives any Major Casualty Proceeds, an amount equal to one-hundred percent (100.0%) of such Major Casualty Proceeds; provided, that during the Loan Modification Period, so long as no Event of Default has occurred and is continuing, the recipient (other than Administrative Agent) of any Major Casualty Proceeds may reinvest such Major Casualty Proceeds within one hundred eighty (180) days of receipt of such Major Casualty Proceeds (or within one hundred eighty (180) days of such Major Casualty Proceeds becoming subject to a binding commitment to reinvest such Major Casualty Proceeds within ninety (90) days of receipt thereof); provided, further, that after the expiration of the Loan Modification Period, so long as no Event of Default has occurred and is continuing, the recipient (other than Administrative Agent) of any Major Casualty Proceeds may reinvest such

Major Casualty Proceeds within three hundred sixty five (365) days of receipt of such Major Casualty Proceeds (or within three hundred sixty five (365) days of such Major Casualty Proceeds becoming subject to a binding commitment to reinvest such Major Casualty Proceeds within one hundred eighty (180) days of receipt thereof), in assets of a kind then used or usable in the business of the Loan Parties; provided, however, that if the applicable Loan Party or Subsidiary does not intend to fully reinvest such Major Casualty Proceeds, or if the time period set forth in this sentence expires without such Loan Party or Subsidiary having reinvested such Major Casualty Proceeds, Borrowers shall within two (2) Business Day prepay the Loans in an amount equal to such Major Casualty Proceeds.

§1.7 Amendment to Section 2.05. Section 2.05 of the Credit Agreement is hereby amended by amending and restating clause (c)(iv) of such section in its entirety as follows:

(iv) no later than five (5) Business Days following the date on which any Loan Party or any of its Subsidiaries receive the proceeds of any Disposition made pursuant to Sections 7.05(g) or 7.05(j) or a Disposition not otherwise permitted under this Agreement, an amount equal to one hundred percent (100%) of the Net Cash Proceeds of such Disposition; provided, that after the expiration of the Loan Modification Period, no prepayment shall be required pursuant to this Section 2.05(c)(iv) unless and until the aggregate Net Cash Proceeds received during any Fiscal Year from Dispositions exceeds $1,000,000 (in which case all Net Cash Proceeds in excess of such amount shall be used to make prepayments pursuant to this Section 2.05(c)(iv)); provided further that after the expiration of the Loan Modification Period, so long as no Event of Default has occurred and is continuing, the recipient of such Net Cash Proceeds may reinvest such Net Cash Proceeds within three hundred sixty five (365) days of receipt of such Net Cash Proceeds (or within three hundred sixty-five (365) days of such Net Cash Proceeds becoming subject to a binding commitment to reinvest such Net Cash Proceeds within one hundred eighty (180) days of receipt thereof), in assets of a kind then used or usable in the business of the Loan Parties; provided, however, that if the applicable Loan Party or Subsidiary does not intend to fully reinvest such Net Cash Proceeds, or if the time period set forth in this sentence expires without such Loan Party or Subsidiary having reinvested such Net Cash Proceeds, Borrowers shall within two (2) Business Day prepay the Loans in an amount equal to such Net Cash Proceeds.

§1.8 Amendment to Section 5.05(d). Section 5.05(d) of the Credit Agreement is hereby amended by amending and restated as follows:

(d) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect other than any adverse change in, impairment of or effect upon the operations, business, assets, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower or its Subsidiaries substantially relating to the impacts of COVID-19 to the extent such adverse change in, impairment of, effect or condition has not had a disproportionate adverse effect on Borrower and each other Loan Party, taken as a whole, relative to the adverse effect such event, circumstance, development, change, occurrence or effect has on other companies operating in the national “fast-casual” restaurant industry.

§1.9 Amendment to Section 6.01. Section 6.01 of the Credit Agreement is hereby amended by amending and restating clause (c) of such section in its entirety as follows:

(c) (i) as soon as available, but in any event (A) within 30 days after the end of the first two months of each Fiscal Quarter during the Loan Modification Period and (B) no later than the date required by the SEC for the Borrower to deliver its Form 10-Q (taking into account any extension of time to file granted by the SEC) with respect to the third month of each Fiscal Quarter during the Loan Modification Period, a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such month, the related consolidated statements of income or operations and cash flows for such month, (ii) as soon as available, but in any event within 30 days after the end of each month during the period from December 29, 2020 through and including May 25, 2021, the Borrower's calculation of Liquidity and the Capital Expenditure Performance Basket as of the end of such month, (iii) as soon as available, but in any event within 30 days after the end of each Fiscal Quarter during the period from May 26, 2021 through and including September 28, 2021, the Borrower's calculation of Liquidity and the Capital Expenditure Performance Basket as of the end of such Fiscal Quarter; provided, that Borrower may elect to submit Liquidity reporting on a monthly basis for the period from June 1, 2021 through November 30, 2021 for purposes of determining the Capital Expenditure Performance Basket during such period and (iv) as soon as available, but in any event within 5 Business Days after the end of each week during the Loan Modification Period, the Borrower's weekly sales trend report.

§1.10 Amendment to Section 7.02. Section 7.02 of the Credit Agreement is hereby amended by amending and restating clause (e) of such section in its entirety as follows:

(e) Indebtedness in respect of Capitalized Leases and purchase money obligations arising in connection with the acquisition of equipment within the limitations set forth in Section 7.01(i); provided, however, that the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed $5,000,000; provided, further that during the Loan Modification Period the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed $2,500,000;

§1.11 Amendment to Section 7.02. Section 7.02 of the Credit Agreement is hereby amended by amending and restating clause (l) of such section in its entirety as follows:

(l) other Indebtedness; provided, that the aggregate principal amount of such other Indebtedness permitted under this Section 7.02(l) shall not exceed $5,000,000 at any time outstanding; provided further, that no other Indebtedness pursuant to this clause (l) shall be incurred during the Loan Modification Period;

§1.12 Amendment to Section 7.03. Section 7.03 of the Credit Agreement is hereby amended by amending and restating clause (c) of such section in its entirety as follows:

(c) (i) Investments by the Borrower and its Domestic Subsidiaries in their respective Domestic Subsidiaries outstanding on the date hereof, (ii) additional Investments by a Loan Party in another Loan Party that is a wholly owned Domestic Subsidiary and (iii) Investments not to exceed $15,000 to repurchase any Minority Interests; provided, that Investments permitted by this clause (iii) shall not exceed $250,000 in the aggregate over the term of this Agreement; provided further, that Investments permitted by this clause (iii) shall not be permitted during the Loan Modification Period;

§1.13 Amendment to Section 7.03. Section 7.03 of the Credit Agreement is hereby amended by amending and restating clause (k) of such section in its entirety as follows:

(k) Investments that constitute a Permitted Acquisition; provided, that Permitted Acquisitions shall not be permitted during the Loan Modification Period;

§1.14 Amendment to Section 7.03. Section 7.03 of the Credit Agreement is hereby amended by amending and restating clause (l) of such section in its entirety as follows:

(l) Investments that constitute Permitted Seller Notes; provided, that no Permitted Seller Notes shall be issued during the Loan Modification Period;

§1.15 Amendment to Section 7.03. Section 7.03 of the Credit Agreement is hereby amended by amending and restating clause (o) of such section in its entirety as follows:

(o) other Investments; provided, that no Investments shall be made pursuant to this clause (o) during the Loan Modification Period; provided, further, that the aggregate amount of Investments permitted under this Section 7.03(o) shall not exceed $500,000 at any time outstanding;

§1.16 Amendment to Section 7.05. Section 7.05 of the Credit Agreement is hereby amended by amending and restating clause (g) of such section in its entirety as follows:

(g) other Dispositions of assets in arms-length transactions so long as (i) at the time of such Disposition, no Default or Event of Default shall exist or be continuing or shall result from such Disposition, (ii) the consideration received in connection therewith consists of not less than 75% of cash and Cash Equivalents, and (iii) the aggregate proceeds from assets Disposed of pursuant to this clause (g) and clause (j) do not exceed (i) $10,000,000 during any Fiscal Year and (ii) $20,000,000 in the aggregate during the term of this Agreement; provided, that Dispositions pursuant to this clause (g) shall not be permitted during the Loan Modification Period;

§1.17 Amendment to Section 7.06. Section 7.06 of the Credit Agreement is hereby amended by amending and restating clause (e) of such section in its entirety as follows:

(e) the Borrower may purchase, redeem or otherwise retire Equity Interests; provided, that before or after giving effect to any such purchase, redemption or acquisition of Equity Interests, (i) no Default or Event of Default shall have occurred and be continuing, and (ii) after giving pro forma effect to any such purchase or redemption, the Consolidated Total Lease Adjusted Leverage Ratio is less than 3.50 to 1.00; provided, that the 2019/2020 Permitted Equity Interest Repurchases shall not be subject to the restrictions of Section 7.06(e)(ii); provided further, that no purchase, redemption of other retirement of Equity Interests pursuant to this clause (e) shall be permitted during the Loan Modification Period;

§1.18 Amendment to Section 7.06. Section 7.06 of the Credit Agreement is hereby amended by amending and restating clause (g) of such section in its entirety as follows:

(g) the Borrower may purchase, redeem or otherwise retire the Existing Warrant; provided, that (i) after giving pro forma effect to any such purchase or redemption the Consolidated

Total Lease Adjusted Leverage Ratio is less than 3.50 to 1.00 and (ii) the amount of such purchase or redemption shall not exceed $10,000,000 in the aggregate during the term of this Agreement; provided further, that no purchase, redemption of other retirement of the Existing Warrant shall be permitted during the Loan Modification Period;

§1.19 Amendment to Section 7.11. Section 7.11 of the Credit Agreement is hereby amended by amending and restating clause (a) of such section in its entirety as follows:

(a) Consolidated Total Lease Adjusted Leverage Ratio. Permit the Consolidated Total Lease Adjusted Leverage Ratio as of the end of any Measurement Period to be greater than the applicable ratio set forth below opposite such Measurement Period:

Measurement Period End Date	Maximum Consolidated Total Lease Adjusted Leverage Ratio
the last day of the Second Fiscal Quarter of Fiscal Year (June 29, 2021)	6.00 to 1.00
the last day of the Third Quarter of Fiscal Year 2021 (September 28, 2021)	5.50 to 1.00
the last day of the Fourth Quarter of Fiscal Year 2021 (December 28, 2021)	5.25 to 1.00
the last day of the First Quarter of Fiscal Year 2022 (March 29, 2022)	5.00 to 1.00
the last day of the Second Quarter of Fiscal Year 2022 (June 28, 2022)	4.50 to 1.00
the last day of the Third Fiscal Quarter of Fiscal Year 2022 (September 27, 2022) and the last day of each Fiscal Quarter ending thereafter.	4.00 to 1.00

§1.20 Amendment to Section 7.11. Section 7.11 of the Credit Agreement is hereby amended by amending and restating clause (b) of such section in its entirety as follows:

(b) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio as of the end of any Measurement Period to be less than the applicable ratio set forth below opposite such Measurement Period:

Measurement Period End Date	Consolidated Fixed Charge Coverage Ratio
the last day of the Second Fiscal Quarter of Fiscal Year 2021 (June 29, 2021)	1.00 to 1.00
the last day of the Third Quarter of Fiscal Year 2021 (September 28, 2021) and the last day of the Fourth Quarter of Fiscal Year 2021 (December 28, 2021)	1.10 to 1.00
the last day of the First Quarter of Fiscal Year 2022 (March 29, 2022) and the last day of each Fiscal Quarter ending thereafter.	1.25 to 1.00

§1.21 Amendment to Section 7.11. Section 7.11 of the Credit Agreement is hereby amended by inserting a new Section 7.11(c) that reads as follows:

(c) Minimum Liquidity. Permit Liquidity, as of each measurement date, to be less than the corresponding amount identified below.

Measurement Date	Minimum Liquidity
as of June 30, 2020	$36,000,000
as of July 28, 2020	$26,000,000
as of August 25, 2020	$24,000,000
as of September 29, 2020	$20,000,000
as of October 27, 2020	$18,500,000
as of November 24, 2020	$17,500,000
as of December 29, 2020	$19,000,000
as of the last Business Day of each month starting on and including January 26, 2021 through and including May 25, 2021	$15,000,000

§1.22 Amendment to Section 7.12. Section 7.12 of the Credit Agreement is hereby amended by restating such section in its entirety as follows:

7.12 Capital Expenditures. Make or become legally obligated to make any Capital Expenditures in an amount exceeding (i) $12,000,000 in Fiscal Year 2020, (ii) $12,000,000 *plus* the Capital Expenditure Performance Basket in Fiscal Year 2021; provided, that the Capital Expenditure limit for the fiscal quarter ending on March 30, 2021 shall be limited to $3,500,000 *plus* the Capital Expenditure Performance Basket for Fiscal Year 2021, (iii) $34,000,000 for Fiscal Year 2022, (iv) $37,000,000 for Fiscal Year 2023 and (iv) $45,000,000 for Fiscal Year 2024. The Capital Expenditure Performance Basket shall be determined as of the last Business Day of each month based on the financial reporting delivered pursuant to Section 6.01(c)(ii) and (c)(iii), as applicable. To the extent Borrower utilizes the Capital Expenditure Performance Basket for a given period, and at the time such expenditures were made they were permitted by the most recently delivered Liquidity reporting pursuant to Section 6.01(c)(ii) and (c)(iii), as applicable, such Capital Expenditures shall be deemed permitted under this Section 7.12 without regard to subsequently reported Liquidity levels. Capital Expenditures shall be determined by reference to Borrower's statement of cash flow.

§1.23 Amendment to Schedules. Schedules 5.08(b), 5.17, 5.20, 5.21 and 5.22 are hereby deleted in their entirety and replaced with Schedules 5.08(b), 5.17, 5.20, 5.21 and 5.22 attached as Attachment A hereto.

§2. Affirmation and Acknowledgment. Each Loan Party hereby ratifies and confirms all of its Obligations to the Lenders and the Administrative Agent, and the Borrower hereby affirms its absolute and unconditional promise to pay to the Lenders the Loans, the other Obligations, and all other amounts due under the Credit Agreement as amended hereby. Each Loan Party hereby ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted and pledged by such Loan Party pursuant to the Loan Documents to the Administrative Agent, on behalf and for the benefit of the Secured Parties, as collateral security for the Obligations, and acknowledges that all of such Liens and security interests, and all Collateral heretofore granted, pledged or otherwise created as security for the Obligations continues to be and remains collateral security for the Obligations. Each of the Guarantors party to the Guaranty hereby acknowledges and consents to this Amendment and agrees that the Guaranty and all other Loan Documents to which each of the Guarantors are a party remain in full force and effect, and each of the Guarantors confirms and ratifies all of its Obligations thereunder.

§3. **Representations and Warranties.** Each Loan Party hereby represents and warrants to the Lenders and the Administrative Agent as follows:

(a) The execution, delivery and performance by each Loan Party of this Amendment and the performance by such Loan Party of its obligations and agreements under this Amendment and the Credit Agreement, as amended hereby, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (i) contravene the terms of any of such Loan Party's Organization Documents, (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (A) any material Contractual Obligation (other than the creation of Liens under the Loan Documents) to which such Loan Party is a party or affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Loan Party or its property is subject; or (iii) violate any Law, except to the extent that any such violation, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) This Amendment has been duly executed and delivered by such Loan Party. Each of this Amendment and the Credit Agreement, as amended hereby, constitutes a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles, whether enforcement is sought by a proceeding in equity or at law.

(c) No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is required in connection with the execution, delivery or performance by such Loan Party of this Amendment or the Credit Agreement as amended hereby.

(d) The representations and warranties of such Loan Party contained in Article V of the Credit Agreement or in any other Loan Document are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that the representations and warranties contained in Sections 5.05(a) and 5.05(b) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and 6.01(b) of the Credit Agreement, respectively; provided, that for purposes of determining whether or a "Material Adverse Effect" has occurred under Section 5.05(d) of the Credit Agreement, a "Material Adverse Effect" shall have only occurred if the adverse change in, impairment of or effect upon the operations, business, assets, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower or its Subsidiaries taken as whole substantially relating to the impacts of COVID-19 are disproportionate relative to the adverse effect such event, circumstance, development, change, occurrence or effect has on other companies operating in the national "fast-casual" restaurant industry.

(e) As of the date hereof, after giving effect to this Amendment, there exists no Default or Event of Default.

§4. Conditions. This Amendment shall become effective on the date when each of the following conditions precedent have been satisfied (the "Second Amendment Effective Date"):

(a) This Amendment shall have been duly executed and delivered by each Loan Party, the Administrative Agent and the Lenders.

(b) The Administrative Agent shall have received a favorable opinion of Gibson, Dunn & Crutcher LLP, counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, as to the matters concerning the Loan Parties and the Loan Documents as the Administrative Agent may reasonably request, in form, scope and substance reasonably satisfactory to the Administrative Agent.

(c) The Administrative Agent shall have received certificates executed by a Responsible Officer of each Loan Party attaching (i) resolutions or other action authorizing the actions under this Amendment and the Credit Agreement as amended hereby, (ii) incumbency certificates, (iii) certified copies of the Organization Documents of such Loan Party, in each case, certified as true, accurate and complete and in effect on the date hereof (or a certification that there shall have been no changes to the Organization Documents of such Loan Party since the most recent date that certified copies of such Organization Documents were delivered to the Administrative Agent) and (iv) such other documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each Loan Party is validly existing and in good standing in its jurisdiction of organization.

(d) The Administrative Agent shall have received a certificate signed by a Responsible Officer of the Borrower certifying (i) that the conditions specified in this Section 4 have been satisfied, and (ii) that there has been no event or circumstance since December 31, 2019 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; provided, that for purposes of determining whether or a "Material Adverse Effect" has occurred under Section 5.05(d) of the Credit Agreement, a "Material Adverse Effect" shall have only occurred if the adverse change in, impairment of or effect upon the operations, business, assets, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower or its Subsidiaries taken as whole substantially relating to the impacts of COVID-19 are disproportionate relative to the adverse effect such event, circumstance, development, change, occurrence or effect has on other companies operating in the national “fast-casual” restaurant industry.

(e) The representations and warranties set forth in Section 3 hereof shall be true and correct.

(f) All fees and expenses due and owing to the Administrative Agent and the Lenders and required to be paid on or before the Second Amendment Effective Date pursuant to that certain Second Amendment to Credit Agreement Fee Letter dated as of June 16, 2020 by and between the Administrative Agent and the Borrower, shall have been paid (or shall be paid concurrently with the closing of this Amendment).

(g) The Administrative Agent shall have been reimbursed for all reasonable and documented fees and out-of-pocket charges and other expenses incurred in connection with this Amendment, including, without limitation, the reasonable fees and disbursements of counsel for the Administrative Agent, to the extent documented and delivered to the Borrower prior to the date hereof (for the avoidance of doubt, a summary statement of such fees, charges and disbursements shall be sufficient documentation for the obligations set forth in this Section 4(g); provided that supporting documentation for such summary statement is provided promptly thereafter).

§5. <u>Miscellaneous Provisions</u>.

§5.1 Except as expressly amended or otherwise modified by this Amendment, the Credit Agreement and all documents, instruments and agreements related thereto, including, but not limited to the other Loan Documents, are hereby ratified and confirmed in all respects and shall continue in full force and effect. No amendment, consent or waiver herein granted or agreement herein made shall extend beyond the terms expressly set forth herein for such amendment, consent, waiver or agreement, as the case may be, nor shall anything contained herein be deemed to imply any willingness of the Administrative Agent or the Lenders to agree to, or otherwise prejudice any rights of the Administrative Agent or the Lenders with respect to, any similar amendments, consents, waivers or agreements that may be requested for any future period, and this Amendment shall not be construed as a waiver of any other provision of the Loan Documents or to permit the Borrower or any other Loan Party to take any other action which is prohibited by the terms of the Credit Agreement and the other Loan Documents. The Credit Agreement and this Amendment shall be read and construed as a single agreement. All references in the Credit Agreement, or any related agreement or instrument, to the Credit Agreement shall hereafter refer to the Credit Agreement, as amended hereby. This Amendment shall constitute a Loan Document.

§5.2 THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

§5.3 THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER, THE L/C ISSUER, OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER OR THE L/C ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

§5.4 This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Amendment.

§5.5 The Borrower hereby agrees to pay to the Administrative Agent, on demand by the Administrative Agent, all reasonable and documented out-of-pocket costs and expenses incurred or sustained by the Administrative Agent in connection with the preparation of this Amendment (including legal fees).

§5.6 The provisions of this Amendment are solely for the benefit of the Loan Parties, the Administrative Agent and the Lenders and no other Person shall have rights as a third party beneficiary of any of such provisions.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first written above.

NOODLES & COMPANY,
a Delaware corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: Secretary

TNSC, INC.,
a Colorado corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

THE NOODLE SHOP, CO. - COLORADO, INC.,
a Colorado corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

THE NOODLE SHOP, CO. - WISCONSIN, INC.,
a Wisconsin corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

THE NOODLE SHOP, CO. - ILLINOIS, INC.,
an Illinois corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

THE NOODLE SHOP, CO. - VIRGINIA, INC.,
a Virginia corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

THE NOODLE SHOP, CO. - KANSAS, LLC,
a Kansas limited liability company

By: TNSC, Inc.
its Member

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

THE NOODLE SHOP, CO. - DELAWARE, INC.,
a Delaware corporation

By: /s/ Melissa Heidman
Name: Melissa Heidman
Title: President

U.S. BANK NATIONAL ASSOCIATION,
as a Lender, Administrative Agent, L/C Issuer and Swing Line Lender

By: /s/ Courtney A. Boltz
Name: Courtney A. Boltz
Title: Vice President

FIRST HORIZON BANK,
as a Lender

By:	/s/ Erik Toft
Name:	Erik Toft
Title:	Vice President

BBVA USA,
as a Lender

By:	/s/ Jake Wesley
Name:	Jake Wesley
Title:	Vice President

Attachment A

[Disclosure Schedules to Credit Agreement]

On file with the Administrative Agent.

Exhibit 31.1

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

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

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

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

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

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

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

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

Date: June 17, 2020

/s/ DAVE BOENNIGHAUSEN

Dave Boennighausen

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

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

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

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

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

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

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

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

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

Date: June 17, 2020

/s/ KEN KUICK

Ken Kuick

Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF 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 March 31, 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: June 17, 2020

By:	/s/ DAVE BOENNIGHAUSEN
Name:	Dave Boennighausen
Title:	Chief Executive Officer

I, Ken Kuick, 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 March 31, 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: June 17, 2020

By:	/s/ KEN KUICK
Name:	Ken Kuick
Title:	Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.