
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 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 June 25, 2013

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 000-50972

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-1083890

(IRS Employer
Identification Number)

6040 Dutchmans Lane, Suite 200

Louisville, Kentucky 40205

(Address of principal executive offices) (Zip Code)

(502) 426-9984

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

The number of shares of common stock outstanding were 70,280,373 on July 24, 2013.

TABLE OF CONTENTS

[PART I. FINANCIAL INFORMATION](#)

Item 1 — Financial Statements — Texas Roadhouse, Inc. and Subsidiaries	3
Condensed Consolidated Balance Sheets — June 25, 2013 and December 25, 2012	3
Condensed Consolidated Statements of Income and Comprehensive Income — For the 13 and 26 Weeks Ended June 25, 2013 and June 26, 2012	4
Condensed Consolidated Statement of Stockholders' Equity — For the 26 Weeks Ended June 25, 2013	5
Condensed Consolidated Statements of Cash Flows — For the 26 Weeks Ended June 25, 2013 and June 26, 2012	6
Notes to Condensed Consolidated Financial Statements	7
Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3 — Quantitative and Qualitative Disclosures About Market Risk	26
Item 4 — Controls and Procedures	27

[PART II. OTHER INFORMATION](#)

Item 1 — Legal Proceedings	28
Item 1A — Risk Factors	28
Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3 — Defaults Upon Senior Securities	29
Item 4 — Mine Safety Disclosures	29
Item 5 — Other Information	29
Item 6 — Exhibits	29

Signatures	30
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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

Texas Roadhouse, Inc. and Subsidiaries **Condensed Consolidated Balance Sheets** (in thousands, except share and per share data) (unaudited)

	June 25, 2013	December 25, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 100,117	\$ 81,746
Receivables, net of allowance for doubtful accounts of \$20 at June 25, 2013 and \$22 at December 25, 2012	12,077	16,416
Inventories, net	11,182	10,909
Prepaid income taxes	—	3,374
Prepaid expenses	6,627	7,191
Deferred tax assets	3,467	2,836
Total current assets	133,470	122,472
Property and equipment, net of accumulated depreciation of \$286,912 at June 25, 2013 and \$269,052 at December 25, 2012	542,211	531,654
Goodwill	113,454	113,435
Intangible assets, net	8,283	9,264
Other assets	15,983	14,429
Total assets	\$ 813,401	\$ 791,254
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt and obligations under capital leases	\$ 317	\$ 338
Accounts payable	34,990	32,374
Deferred revenue — gift cards	28,527	53,041
Accrued wages	27,135	25,030
Income taxes payable	1,054	—
Accrued taxes and licenses	13,666	13,253
Dividends payable	8,427	13,135
Other accrued liabilities	19,188	21,491
Total current liabilities	133,304	158,662
Long-term debt and obligations under capital leases, excluding current maturities	51,120	51,264
Stock option and other deposits	4,678	4,718
Deferred rent	21,763	20,168
Deferred tax liabilities	5,715	6,102
Fair value of derivative financial instruments	3,138	4,016
Other liabilities	17,506	15,587
Total liabilities	237,224	260,517
Texas Roadhouse, Inc. and subsidiaries stockholders' equity:		
Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock, (\$0.001 par value, 100,000,000 shares authorized, 70,249,695 and 68,977,045 shares issued and outstanding at June 25, 2013 and December 25, 2012, respectively)	70	69
Additional paid in capital	215,394	199,967
Retained earnings	356,839	327,509
Accumulated other comprehensive loss	(1,923)	(2,461)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	570,380	525,084
Noncontrolling interests	5,797	5,653
Total equity	576,177	530,737
Total liabilities and equity	\$ 813,401	\$ 791,254

See accompanying notes to condensed consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statements of Income and Comprehensive Income
(in thousands, except per share data)
(unaudited)

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Revenue:				
Restaurant sales	\$ 348,929	\$ 317,546	\$ 705,493	\$ 639,558
Franchise royalties and fees	3,190	2,729	6,302	5,586
Total revenue	352,119	320,275	711,795	645,144
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	120,212	106,860	244,764	216,515
Labor	101,723	93,235	203,384	186,582
Rent	7,152	6,379	14,209	12,631
Other operating	54,989	50,555	110,767	101,784
Pre-opening	4,240	2,780	7,064	6,365
Depreciation and amortization	12,190	11,546	24,402	22,893
Impairment and closure	27	20	84	39
General and administrative	21,789	17,653	39,156	37,686
Total costs and expenses	322,322	289,028	643,830	584,495
Income from operations	29,797	31,247	67,965	60,649
Interest expense, net	567	568	1,162	1,173
Equity income from investments in unconsolidated affiliates	(218)	(121)	(398)	(162)
Income before taxes	29,448	30,800	67,201	59,638
Provision for income taxes	8,583	9,952	19,117	19,037
Net income including noncontrolling interests	\$ 20,865	\$ 20,848	\$ 48,084	\$ 40,601
Less: Net income attributable to noncontrolling interests	902	538	1,950	1,422
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 19,963	\$ 20,310	\$ 46,134	\$ 39,179
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on derivatives, net of tax of (\$0.2) million, \$0.1 million, (\$0.3) million and \$0.1 million, respectively	342	(65)	538	(106)
Total comprehensive income	\$ 20,305	\$ 20,245	\$ 46,672	\$ 39,073
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:				
Basic	\$ 0.29	\$ 0.29	\$ 0.66	\$ 0.56
Diluted	\$ 0.28	\$ 0.28	\$ 0.65	\$ 0.55
Weighted-average shares outstanding:				
Basic	70,030	70,129	69,693	69,763
Diluted	71,267	71,587	70,924	71,247
Cash dividends declared per share	\$ 0.12	\$ 0.09	\$ 0.24	\$ 0.18

See accompanying notes to condensed consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(in thousands, except share data)
(unaudited)

	Shares	Par Value	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 25, 2012	<u>68,977,045</u>	<u>\$ 69</u>	<u>\$ 199,967</u>	<u>\$ 327,509</u>	<u>\$ (2,461)</u>	<u>\$ 525,084</u>	<u>\$ 5,653</u>	<u>\$ 530,737</u>
Net income	—	—	—	46,134	—	46,134	1,950	48,084
Unrealized gain on derivatives, net of tax of \$0.3 million	—	—	—	—	538	538	—	538
Distributions to noncontrolling interests	—	—	—	—	—	—	(1,806)	(1,806)
Minority interest liquidation adjustments	—	—	5	—	—	5	—	5
Dividends declared and paid (\$0.12 per share)	—	—	—	(8,377)	—	(8,377)	—	(8,377)
Dividends declared (\$0.12 per share)	—	—	—	(8,427)	—	(8,427)	—	(8,427)
Shares issued under stock option plan including tax effects	810,690	—	12,649	—	—	12,649	—	12,649
Settlement of restricted stock units	685,301	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(223,341)	—	(4,197)	—	—	(4,197)	—	(4,197)
Share-based compensation	—	—	6,971	—	—	6,971	—	6,971
Balance, June 25, 2013	<u>70,249,695</u>	<u>\$ 70</u>	<u>\$ 215,394</u>	<u>\$ 356,839</u>	<u>\$ (1,923)</u>	<u>\$ 570,380</u>	<u>\$ 5,797</u>	<u>\$ 576,177</u>

See accompanying notes to condensed consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	26 Weeks Ended	
	June 25, 2013	June 26, 2012
Cash flows from operating activities:		
Net income including noncontrolling interests	\$ 48,084	\$ 40,601
Depreciation and amortization	24,402	22,893
Deferred income taxes	(1,358)	(4,753)
Loss on disposition of assets	1,953	1,683
Equity income from investments in unconsolidated affiliates	(398)	(162)
Distributions of income received from investments in unconsolidated affiliates	253	225
Provision for doubtful accounts	102	16
Share-based compensation expense	6,971	6,324
Changes in operating working capital:		
Receivables	4,237	1,752
Inventories	(273)	789
Prepaid expenses	564	1,709
Other assets	(1,404)	(1,044)
Accounts payable	2,616	(3,110)
Deferred revenue — gift cards	(24,567)	(22,773)
Accrued wages	2,105	1,779
Excess tax benefits from share-based compensation	(2,098)	(2,514)
Prepaid income taxes and income taxes payable	6,526	8,231
Accrued taxes and licenses	413	(11)
Other accrued liabilities	(2,225)	4,884
Deferred rent	1,531	1,558
Other liabilities	1,919	1,461
Net cash provided by operating activities	\$ 69,353	\$ 59,538
Cash flows from investing activities:		
Capital expenditures — property and equipment	(35,915)	(42,547)
Proceeds from sale of property and equipment, including insurance proceeds	4	106
Net cash used in investing activities	\$ (35,911)	\$ (42,441)
Cash flows from financing activities:		
Repayments of revolving credit facility	—	(10,000)
Proceeds from noncontrolling interest contributions and other	—	512
Distributions to noncontrolling interests	(1,806)	(1,523)
Excess tax benefits from share-based compensation	2,098	2,514
Repayment of stock option and other deposits	(40)	(48)
Indirect repurchase of shares for minimum tax withholdings	(4,197)	(2,167)
Principal payments on long-term debt and capital lease obligations	(165)	(147)
Proceeds from exercise of stock options	10,551	8,349
Dividends paid to stockholders	(21,512)	(11,806)
Net cash used in financing activities	\$ (15,071)	\$ (14,316)
Net increase in cash and cash equivalents	18,371	2,781
Cash and cash equivalents — beginning of period	81,746	78,777
Cash and cash equivalents — end of period	\$ 100,117	\$ 81,558
Supplemental disclosures of cash flow information:		
Interest, net of amounts capitalized	\$ 1,194	\$ 1,269
Income taxes, net of refunds	\$ 13,948	\$ 15,551

See accompanying notes to condensed consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Tabular dollar amounts in thousands, except per share data)
(unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Texas Roadhouse, Inc. ("TRI"), our wholly-owned subsidiaries and subsidiaries in which we own more than 50 percent interest (collectively the "Company," "we," "our" and/or "us") as of and for the 13 and 26 weeks ended June 25, 2013 and June 26, 2012. Our wholly-owned subsidiaries include: Texas Roadhouse Holdings LLC ("Holdings"), Texas Roadhouse Development Corporation ("TRDC") and Texas Roadhouse Management Corporation ("Management Corp."). We and our subsidiaries operate restaurants primarily under the Texas Roadhouse name. Holdings also provides supervisory and administrative services for certain other franchise Texas Roadhouse restaurants. TRDC sells franchise rights and collects the franchise royalties and fees. Management Corp. provides management services to the Company and certain other franchise Texas Roadhouse restaurants. All significant balances and transactions between the consolidated entities have been eliminated.

As of June 25, 2013 and June 26, 2012, we owned 5.0% to 10.0% equity interests in 23 and 22 franchise restaurants, respectively. The unconsolidated restaurants are accounted for using the equity method. While we exercise significant control over these franchise restaurants, we do not consolidate their financial position, results of operations or cash flows as it is immaterial to our consolidated financial position, results of operations and cash flows. Our investments in these unconsolidated affiliates are included in Other assets in our unaudited condensed consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our unaudited condensed consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates.

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reporting of revenue and expenses during the periods to prepare these unaudited condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, obligations related to insurance reserves, income taxes and share-based compensation expense. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows for the periods presented. The financial statements have been prepared in accordance with GAAP, except that certain information and footnotes have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"). Operating results for the 13 and 26 weeks ended June 25, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 25, 2012.

Certain prior year amounts have been reclassified in our unaudited condensed consolidated financial statements to conform with current year presentation.

Our significant interim accounting policies include the recognition of income taxes using an estimated annual effective tax rate.

(2) Share-based Compensation

On May 16, 2013, the Company's stockholders approved the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan"). The Plan provides for the granting of incentive and non-qualified stock options to purchase shares of common stock, stock appreciation rights, and full value awards, including restricted stock, restricted stock units ("RSUs"), deferred stock units, performance stock and performance stock units. As a result of the approval of the Plan, no future awards will be made under the Texas Roadhouse, Inc. 2004 Equity Incentive Plan.

Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by eliminating stock option grants and, instead, granting RSUs as a form of share-based compensation. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement.

[Table of Contents](#)

The following table summarizes the share-based compensation recorded in the accompanying unaudited condensed consolidated statements of income and comprehensive income:

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Labor expense	\$ 1,341	\$ 1,123	\$ 2,671	\$ 2,129
General and administrative expense	2,118	2,148	4,300	4,195
Total share-based compensation expense	<u>\$ 3,459</u>	<u>\$ 3,271</u>	<u>\$ 6,971</u>	<u>\$ 6,324</u>

Share-based compensation activity by type of grant as of June 25, 2013 and changes during the 26 weeks then ended are presented below.

Summary Details for 2004 Equity Incentive Plan Share Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 25, 2012	2,258,921	\$ 13.24		
Granted	—	—		
Forfeited	(10,869)	13.34		
Exercised	(810,690)	13.01		
Outstanding at June 25, 2013	<u>1,437,362</u>	<u>\$ 13.37</u>	<u>2.56</u>	<u>\$ 15,983</u>
Exercisable at June 25, 2013	<u>1,437,362</u>	<u>\$ 13.37</u>	<u>2.56</u>	<u>\$ 15,983</u>

The total intrinsic value of options exercised during the 13 weeks ended June 25, 2013 and June 26, 2012 was \$2.9 million and \$3.2 million, respectively. During the 26 weeks ended June 25, 2013 and June 26, 2012, the total intrinsic value of options exercised was \$6.2 million and \$6.6 million, respectively. No stock options vested during the 13 or 26 week periods ended June 25, 2013. The total grant date fair value of stock options vested for the 13 and 26 week periods ended June 26, 2012 was \$0.1 million.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 25, 2012	1,803,514	\$ 15.73		
Granted	272,660	21.13		
Forfeited	(13,060)	16.80		
Vested	(685,301)	15.88		
Outstanding at June 25, 2013	<u>1,377,813</u>	<u>\$ 16.71</u>	<u>8.72</u>	<u>\$ 33,743</u>

As of June 25, 2013, with respect to unvested RSUs, there was \$13.7 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.3 years. The vesting terms of the RSUs range from 1.0 to 5.0 years. The total intrinsic value of RSUs vested for the 13 weeks ended June 25, 2013 and June 26, 2012 was \$3.3 million and \$2.0 million, respectively. For the 26 weeks ended June 25, 2013 and June 26, 2012, the total intrinsic value of RSUs vested was \$13.2 million and \$6.8 million, respectively.

(3) Long-term Debt and Obligations Under Capital Leases

Long-term debt and obligations under capital leases consisted of the following:

	June 25, 2013	December 25, 2012
Installment loans, due 2013 — 2020	\$ 1,362	\$ 1,473
Obligations under capital leases	75	129
Revolving credit facility	50,000	50,000
	51,437	51,602
Less current maturities	317	338
	<u>\$ 51,120</u>	<u>\$ 51,264</u>

The weighted-average interest rate for installment loans outstanding at both June 25, 2013 and December 25, 2012 was 10.55% and 10.56%, respectively. The debt is secured by certain land and buildings and is subject to certain prepayment penalties.

On August 12, 2011, we entered into a \$200.0 million five-year revolving credit facility with a syndicate of commercial lenders led by JPMorgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo, N.A. This facility replaced our previous five-year revolving credit facility. The revolving credit facility expires on August 12, 2016. The terms of the revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offered Rate (“LIBOR”) plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank’s prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. We are also required to pay a commitment fee of 0.150% to 0.350% per year on any unused portion of the revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for the revolving credit facility at both June 25, 2013 and December 25, 2012 was 3.96%, including the impact of interest rate swaps as discussed in note 5. At June 25, 2013, we had \$50.0 million outstanding under the revolving credit facility and \$145.3 million of availability, net of \$4.7 million of outstanding letters of credit.

The lenders’ obligation to extend credit under the revolving credit facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 20% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of June 25, 2013.

(4) Income taxes

A reconciliation of the statutory federal income tax rate to our effective tax rate for the 13 and 26 weeks ended June 25, 2013 and June 26, 2012 is as follows:

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Tax at statutory federal rate	35.0%	35.0%	35.0%	35.0%
State and local tax, net of federal benefit	3.7	3.8	3.7	3.8
FICA tip tax credit	(6.7)	(5.5)	(5.9)	(5.6)
Work opportunity tax credit	(1.6)	(0.8)	(2.6)	(0.8)
Incentive stock options	(0.8)	(0.4)	(0.7)	(0.3)
Nondeductible officer compensation	(0.1)	1.0	0.3	1.0
Other	0.6	(0.2)	(0.5)	(0.4)
Total	<u>30.1%</u>	<u>32.9%</u>	<u>29.3%</u>	<u>32.7%</u>

We deduct net income attributable to noncontrolling interests from income before taxes as shown in our unaudited condensed consolidated statements of income and comprehensive income to determine the effective tax rates shown in the table above.

(5) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 815, *Derivatives and Hedging* (“ASC 815”). We use interest rate-related derivative instruments to manage our exposure to fluctuations of interest rates. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We attempt to minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is JPMorgan Chase Bank, N.A. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We minimize market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be taken.

Interest Rate Swaps

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate on the \$25.0 million notional amount.

On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the \$25.0 million notional amount.

We entered into the above interest rate swaps with the objective of eliminating the variability of our interest cost that arises because of changes in the variable interest rate for the designated interest payments. Changes in the fair value of the interest rate swaps will be reported as a component of accumulated other comprehensive income or loss (“AOCI”). Additionally, amounts related to the yield adjustment of the hedged interest payments are subsequently reclassified into interest expense in the same period which the related interest affects earnings. We will reclassify any gain or loss from accumulated other comprehensive income or loss, net of tax, in our unaudited condensed consolidated balance sheet to interest expense in our unaudited condensed consolidated statement of income and comprehensive income when the interest rate swap expires or at the time we choose to terminate the swap. See note 11 for fair value discussion of these interest rate swaps.

The following table summarizes the fair value and presentation in the unaudited condensed consolidated balance sheets for derivatives designated as hedging instruments under FASB ASC 815:

Balance Sheet Location	Derivative Assets		Derivative Liabilities	
	June 25, 2013	December 25, 2012	June 25, 2013	December 25, 2012
Derivative Contracts Designated as Hedging Instruments under ASC 815	(1)			
Interest rate swaps	\$ —	\$ —	\$ 3,138	\$ 4,016
Total Derivative Contracts	\$ —	\$ —	\$ 3,138	\$ 4,016

(1) Derivative assets and liabilities are included in fair value of derivative financial instruments in the unaudited condensed consolidated balance sheets.

[Table of Contents](#)

The following table summarizes the effect of our interest rate swaps in the unaudited condensed consolidated statements of income and comprehensive income for the 13 and 26 weeks ended June 25, 2013 and June 26, 2012:

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Gain (Loss) recognized in AOCI, net of tax (effective portion)	\$ 342	\$ (65)	\$ 538	\$ (106)
Gain (Loss) reclassified from AOCI to income (effective portion)	\$ 369	\$ 363	\$ 728	\$ 718

The loss reclassified from AOCI to income was recognized in interest expense on our unaudited condensed consolidated statements of income and comprehensive income. For each of the 13 and 26 weeks ended June 25, 2013 and June 26, 2012, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the unaudited condensed consolidated statements of income and comprehensive income.

(6) Recent Accounting Pronouncements

Comprehensive Income (Accounting Standards Update 2013-02, "ASU 2013-2")

In February 2013, the FASB issued ASU 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, that requires an organization to present the effects on the line items of net income of significant amounts reclassified out of AOCI, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-02 was effective for fiscal years beginning after December 15, 2012 (our 2013 fiscal year). The adoption of this new guidance had no impact on our consolidated financial position, results of operations or cash flows.

(7) Commitments and Contingencies

The estimated cost of completing capital project commitments at June 25, 2013 and December 25, 2012 was approximately \$91.4 million and \$73.2 million, respectively.

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, Longmont, CO, Montgomeryville, PA, Fargo, ND and Logan, UT before granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable if a franchisee defaults under the terms of a lease. The Longmont lease was assigned in October 2003 and expires in May 2014, the Everett lease was assigned in September 2002 and expires in February 2018, the Montgomeryville lease was assigned in October 2004 and expires in June 2021, the Fargo lease was assigned in February 2006 and expires in July 2016 and the Logan lease was assigned in January 2009 and expires in August 2019. As the fair value of the guarantees is not considered significant, no liability has been recorded. As discussed in note 9, the Everett, MA, Longmont, CO, and Fargo, ND restaurants are owned, in whole or part, by certain of our officers, directors or 5% shareholders.

During the 26 weeks ended June 25, 2013, we bought most of our beef from four suppliers. Although there are a limited number of beef suppliers, we believe that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

On September 30, 2011, the U.S. Equal Employment Opportunity Commission ("EEOC") filed a lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts ("Court"), Civil Action Number 1:11-cv-11732. The complaint alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions due to their age. The EEOC is seeking injunctive relief, remedial actions, payment of damages to the applicants and costs. We have filed an answer to the complaint, and the case is in discovery. An Alternative Dispute Resolution conference set by the Court was held on July 25-26, 2013 in Boston, MA, and mediated by the magistrate judge assigned to the case. We deny liability; however, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. We cannot estimate the possible amount or range of loss, if any, associated with this matter.

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

(8) Acquisitions

On December 25, 2012, we acquired two franchise restaurants in Illinois. Pursuant to the terms of the acquisition agreement, we paid a purchase price of \$4.2 million. This acquisition is consistent with our long-term strategy to increase net income and earnings per share.

This transaction was accounted for using the purchase method as defined in ASC 805, *Business Combinations* ("ASC 805"). Based on a purchase price of \$4.2 million, \$2.8 million of goodwill was generated by the acquisition, which is not amortizable for book purposes, but is deductible for tax purposes.

The purchase price has been allocated as follows:

Current assets	\$	64
Property and equipment, net		304
Goodwill		2,759
Intangible asset		1,342
Current liabilities		(195)
Other liabilities		(64)
Purchase Price	\$	4,210

As a result of this acquisition, we recorded an intangible asset associated with reacquired franchise rights of \$1.3 million in accordance with ASC 805. ASC 805 requires that a business combination between two parties that have a preexisting relationship be evaluated to determine if a settlement of a preexisting relationship exists. ASC 805 also requires that certain reacquired rights (including the rights to the acquirer's trade name under a franchise agreement) be recognized as intangible assets apart from goodwill.

The fair value of \$1.3 million assigned to the intangible asset acquired was determined primarily using valuation methods that discount expected future cash flows to present value using estimates and assumptions determined by management. The intangible asset has a weighted-average life of approximately 2.6 years based on the remaining term of the franchise agreements. We recorded amortization expense relating to the intangible asset of approximately \$0.3 million for the 26 weeks ended June 25, 2013. We expect the annual expense for the next four years to be \$0.6 million for 2013, \$0.5 million for 2014, \$0.2 million for 2015 and \$0.1 million for 2016.

Pro forma results of operations have not been presented because the effect of the acquisition was not material to our financial position, results of operations or cash flows.

(9) Related Party Transactions

The Longview, Texas restaurant, which was acquired by us in connection with the completion of our initial public offering, leases the land and restaurant building from an entity controlled by Steven L. Ortiz, our Chief Operating Officer. The lease term is 15 years and will terminate in November 2014. The lease can be renewed for two additional terms of five years each. Rent is approximately \$19,000 per month. The lease can be terminated if the tenant fails to pay the rent on a timely basis, fails to maintain the insurance specified in the lease, fails to maintain the building or property or becomes insolvent. Total rent payments were approximately \$56,000 for each of the 13 weeks ended June 25, 2013 and June 26, 2012. For each of the 26 week periods ended June 25, 2013 and June 26, 2012, rent payments were approximately \$0.1 million.

The Bossier City, Louisiana restaurant, of which Mr. Ortiz beneficially owns 66.0% and we own 5.0%, leases the land and restaurant building from an entity owned by Mr. Ortiz. The lease term is 15 years and will terminate on March 31, 2020. Rent is approximately \$16,600 per month and escalates 10% each five year period during the term. The next rent escalation is in the second quarter of 2015. The lease can be terminated if the tenant fails to pay rent on a timely basis, fails to maintain insurance, abandons the property or becomes insolvent. Total rent payments were approximately \$50,000 for each of the 13 weeks ended June 25, 2013 and June 26, 2012. For each of the 26 week periods ended June 25, 2013 and June 26, 2012, rent payments were approximately \$0.1 million.

We have 15 franchise restaurants owned, in whole or part, by certain of our officers, directors or 5% shareholders as of June 25, 2013 and June 26, 2012. These entities paid us fees of approximately \$0.6 million for both of the 13 weeks ended June 25, 2013 and June 26, 2012. For both of the 26 week periods ended June 25, 2013 and June 26, 2012, these entities paid us fees of approximately \$1.2 million. As disclosed in note 7, we are contingently liable on leases which are related to three of these restaurants.

(10) Earnings Per Share

The share and net income per share data for all periods presented are based on the historical weighted-average shares outstanding. The diluted earnings per share calculations show the effect of the weighted-average stock options and RSUs outstanding from our equity incentive plan as discussed in note 2.

The following table summarizes the options and nonvested stock that were outstanding but not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect:

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Options	7,387	291,902	38,445	295,737
Nonvested stock	—	16,333	—	11,644
Total	<u>7,387</u>	<u>308,235</u>	<u>38,445</u>	<u>307,381</u>

The following table sets forth the calculation of weighted-average shares outstanding (in thousands) as presented in the accompanying unaudited condensed consolidated statements of income and comprehensive income:

	13 Weeks Ended		26 Weeks Ended	
	June 25, 2013	June 26, 2012	June 25, 2013	June 26, 2012
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	<u>\$ 19,963</u>	<u>\$ 20,310</u>	<u>\$ 46,134</u>	<u>\$ 39,179</u>
Basic EPS:				
Weighted-average common shares outstanding	<u>70,030</u>	<u>70,129</u>	<u>69,693</u>	<u>69,763</u>
Basic EPS	<u>\$ 0.29</u>	<u>\$ 0.29</u>	<u>\$ 0.66</u>	<u>\$ 0.56</u>
Diluted EPS:				
Weighted-average common shares outstanding	<u>70,030</u>	<u>70,129</u>	<u>69,693</u>	<u>69,763</u>
Dilutive effect of stock options and restricted stock	<u>1,237</u>	<u>1,458</u>	<u>1,231</u>	<u>1,484</u>
Shares — diluted	<u>71,267</u>	<u>71,587</u>	<u>70,924</u>	<u>71,247</u>
Diluted EPS	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.65</u>	<u>\$ 0.55</u>

(11) Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”), establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date.

- Level 1 Inputs based on quoted prices in active markets for identical assets.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly.
- Level 3 Inputs that are unobservable for the asset.

There were no transfers among levels within the fair value hierarchy during the 13 and 26 weeks ended June 25, 2013.

[Table of Contents](#)

The following table presents the fair values for our financial assets and liabilities measured on a recurring basis:

	Level	Fair Value Measurements	
		June 25, 2013	December 25, 2012
Interest rate swaps	2	\$ (3,138)	\$ (4,016)
Deferred compensation plan - assets	1	10,603	9,145
Deferred compensation plan - liabilities	1	(10,612)	(9,160)

The fair values of our interest rate swaps were determined based on industry-standard valuation models. Such models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves. See note 5 for discussion of our interest rate swaps.

The Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended, (the “Deferred Compensation Plan”) is a nonqualified deferred compensation plan which allows highly compensated employees to defer receipt of a portion of their compensation and contribute such amounts to one or more investment funds held in a rabbi trust. We report the accounts of the rabbi trust in our unaudited condensed consolidated financial statements. These investments are considered trading securities and are reported at fair value based on third-party broker statements. The realized and unrealized holding gains and losses related to these investments, as well as the offsetting compensation expense, are recorded in general and administrative expense in the unaudited condensed consolidated statements of income and comprehensive income.

At June 25, 2013 and December 25, 2012, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. The fair value of our revolving credit facility at June 25, 2013 and December 25, 2012 approximated its carrying value since it is a variable rate credit facility (Level 2). The fair value of our installment loans is estimated based on the current rates offered to us for instruments of similar terms and maturities. The carrying amounts and related estimated fair values for our installment loans are as follows:

	June 25, 2013		December 25, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Installment loans — Level 2	\$ 1,362	\$ 1,601	\$ 1,473	\$ 1,752

(12) Stock Repurchase Program

On February 16, 2012, our Board of Directors approved a stock repurchase program which authorized us to repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on its evaluation of our stock price, market conditions and other corporate considerations.

We did not repurchase any shares of our common stock during the 13 and 26 week periods ended June 25, 2013 or June 26, 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT

This report contains forward-looking statements based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will" and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors. The section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 25, 2012, and in our other Securities and Exchange Commission ("SEC") filings, discusses some of the important risk factors that may affect our business, results of operations, or financial condition. You should carefully consider those risks, in addition to the other information in this report, and in our other filings with the SEC, before deciding to invest in our company or to maintain or increase your investment. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. The information contained in this Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that discuss our business in greater detail and advise interested parties of certain risks, uncertainties and other factors that may affect our business, results of operations or financial condition.

OVERVIEW

Texas Roadhouse is a growing, moderately priced, full-service restaurant chain. Our founder, chairman and chief executive officer, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse in Clarksville, Indiana. Since then, we have grown to 405 restaurants in 48 states and three international locations in two countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown destination for a broad segment of consumers seeking high quality, affordable meals served with friendly, attentive service. As of June 25, 2013, our 405 restaurants included:

- 330 "company restaurants," of which 315 were wholly-owned and 15 were majority-owned. The results of operations of company restaurants are included in our unaudited condensed consolidated statements of income and comprehensive income. The portion of income attributable to minority interests in company restaurants that are not wholly-owned is reflected in the line item entitled "Net income attributable to noncontrolling interests" in our unaudited condensed consolidated statements of income and comprehensive income.
- 75 "franchise restaurants", including three international restaurants. We have a 5.0% to 10.0% ownership interest in 23 franchise restaurants. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity income from investments in unconsolidated affiliates" in our unaudited condensed consolidated statements of income and comprehensive income. Additionally, we provide various management services to these franchise restaurants, as well as seven additional franchise restaurants in which we have no ownership interest.

We have contractual arrangements which grant us the right to acquire at pre-determined valuation formulas the remaining equity interests in 13 of the 15 majority-owned company restaurants, and 68 of the domestic franchise restaurants.

Presentation of Financial and Operating Data

Throughout this report, the 13 weeks ended June 25, 2013 and June 26, 2012 are referred to as Q2 2013 and Q2 2012, respectively. The 26 weeks ended June 25, 2013 and June 26, 2012 are referred to as 2013 YTD and 2012 YTD, respectively. Fiscal year 2013 will be 53 weeks in length and, as such, the fourth quarter of fiscal 2013 will be 14 weeks in length. Fiscal year 2012 was 52 weeks in length, while the quarters for the year were 13 weeks in length.

Long-term Strategies to Grow Earnings Per Share and Create Shareholder Value

Our long-term strategies with respect to increasing net income and earnings per share, along with creating shareholder value, include the following:

Expanding Our Restaurant Base. We will continue to evaluate opportunities to develop Texas Roadhouse restaurants in existing and new domestic and international markets. Domestically, we will remain focused primarily on mid-sized markets where we believe a significant demand for our restaurants exists because of population size, income levels, the presence of shopping and entertainment centers and a significant employment base. Our ability to expand our restaurant base is influenced by many factors beyond our control and therefore we may not be able to achieve our anticipated growth.

[Table of Contents](#)

Our average capital investment for Texas Roadhouse restaurants opened during 2012, including pre-opening expenses, was \$3.9 million. This average includes 10 times the annual base rent amount for restaurants where we do not own the land. We anticipate that our 2013 development costs will be the same as or slightly higher than our 2012 costs. We continue to focus on driving sales and managing restaurant development costs in order to further increase our restaurant development in the future.

We may, at our discretion, add franchise restaurants, domestically and/or internationally, primarily with franchisees who have demonstrated prior success with the Texas Roadhouse or other restaurant concepts and in markets in which the franchisee demonstrates superior knowledge of the demographics and restaurant operating conditions. In conjunction with this strategy, we signed our first international franchise agreement in April 2010 for the development of Texas Roadhouse restaurants in eight countries in the Middle East over 10 years, three of which are currently open. Additionally, in 2010, we entered into a joint venture agreement with a casual dining restaurant operator in China for the minority ownership in four non-Texas Roadhouse restaurants, three of which are open. We may also look to acquire domestic franchise restaurants under terms favorable to us and our shareholders. Additionally, from time to time, we may evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts. Of the 330 restaurants we owned and operated at June 25, 2013, we owned and operated 327 as Texas Roadhouse restaurants. We opened 10 company restaurants during the first half of 2013 and plan to open approximately 18 additional company restaurants through the remainder of 2013. During the first half of 2013, our franchise partners have opened three Texas Roadhouse restaurants, and we anticipate they will open two additional international Texas Roadhouse restaurants through the remainder of 2013.

Maintaining and/or Improving Restaurant Level Profitability. We plan to maintain, or possibly increase, restaurant level profitability through a combination of increased comparable restaurant sales and operating cost management. In general, we continue to balance the impact of inflationary pressures with our value positioning as we remain focused on the long-term success of Texas Roadhouse. This may create a challenge in terms of maintaining and/or increasing restaurant margin, as a percentage of restaurant sales, in any given year, depending on the level of inflation we experience. However, in addition to restaurant margin, as a percentage of restaurant sales, we also focus on restaurant margin growth per store week as a measure of restaurant level profitability. In terms of driving higher guest traffic counts, we remain focused on encouraging repeat visits by our guests through our continued commitment to operational standards relating to our quality of food and service. In order to attract new guests and increase the frequency of visits of our existing guests, we also continue to drive various localized marketing programs, to focus on speed of service and to increase throughput by adding seats in certain restaurants.

Leveraging Our Scalable Infrastructure. To support our growth, we continue to make investments in our infrastructure. Over the past several years, we have made significant investments in our infrastructure, including information systems, real estate, human resources, legal, marketing and operations. Our goal is for general and administrative costs to increase at a slower growth rate than our revenue. Whether we are able to continue leveraging our infrastructure will depend, in part, on our new restaurant openings and our comparable restaurant sales growth rate going forward.

Returning Capital to Shareholders. We continue to pay dividends and evaluate opportunities to return capital to our shareholders through repurchases of common stock. In 2011, our Board of Directors declared our first quarterly dividend of \$0.08 per share of common stock, and we have consistently grown our per share dividend each year since that time. Most recently, on May 16, 2013, our Board of Directors authorized the payment of a quarterly cash dividend of \$0.12 per share of common stock which was paid on June 28, 2013. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any future decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our revolving credit facility and other contractual restrictions, or other factors deemed relevant.

On February 16, 2012, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. Any repurchases will be made through open market transactions. As of June 25, 2013, \$70.6 million remains authorized for repurchase. Since 2008, we have paid \$145.5 million to repurchase 12.3 million shares of our common stock at an average price per share of \$11.86 through our authorized stock repurchase programs.

Key Measures We Use to Evaluate Our Company

Key measures we use to evaluate and assess our business include the following:

Number of Restaurant Openings. Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For company restaurant openings we incur pre-opening costs, which are defined below, before the restaurant opens. Typically new restaurants open with an initial start-up period of higher than normalized sales volumes, which decrease to a steady level approximately three to six months after opening. However, although sales volumes are generally higher, so are initial costs, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately three to six months after opening.

Comparable Restaurant Sales Growth. Comparable restaurant sales growth reflects the change in year-over-year sales for the

[Table of Contents](#)

company restaurants in the comparable restaurant base. We define the comparable restaurant base to include those restaurants open for a full 18 months before the beginning of the current interim period excluding restaurants closed during the period. Comparable restaurant sales growth can be impacted by changes in guest traffic counts or by changes in the per person average check amount. Menu price changes and the mix of menu items sold can affect the per person average check amount.

Average Unit Volume. Average unit volume represents the average quarterly or annual restaurant sales for company Texas Roadhouse restaurants open for a full six months before the beginning of the period measured. Average unit volume excludes sales on restaurants closed during the period. Growth in average unit volumes in excess of comparable restaurant sales growth is generally an indication that newer restaurants are operating with sales levels in excess of the company average. Conversely, growth in average unit volumes less than growth in comparable restaurant sales growth is generally an indication that newer restaurants are operating with sales levels lower than the company average.

Store Weeks. Store weeks represent the number of weeks that our company restaurants were open during the reporting period.

Restaurant Margin. Restaurant margin represents restaurant sales less cost of sales, labor, rent and other operating costs. Depreciation and amortization expense, substantially all of which relates to restaurant-level assets, is excluded from restaurant operating costs and is shown separately as it represents a non-cash charge for the investment in our restaurants. Restaurant margin is widely regarded as a useful metric by which to evaluate restaurant-level operating efficiency and performance. Restaurant margin is not a measurement determined in accordance with generally accepted accounting principles ("GAAP") and should not be considered in isolation, or as an alternative, to income from operations or other similarly titled measures of other companies. Restaurant margin, as a percentage of restaurant sales, may fluctuate based on inflationary pressures, commodity costs and wage rates. We also focus on restaurant margin dollar growth per store week as a measure of restaurant-level profitability as it provides additional insight on operating performance.

Other Key Definitions

Restaurant Sales. Restaurant sales include gross food and beverage sales, net of promotions and discounts, for all company restaurants. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from restaurant sales in the unaudited condensed consolidated statements of income and comprehensive income.

Franchise Royalties and Fees. Domestic franchisees typically pay a \$40,000 initial franchise fee for each new restaurant. In addition, at each renewal period, we receive a fee equal to the greater of 30% of the then-current initial franchise fee or \$10,000 to \$15,000. Franchise royalties consist of royalties in an amount up to 4.0% of gross sales, as defined in our franchise agreements, paid to us by our domestic franchisees.

Restaurant Cost of Sales. Restaurant cost of sales consists of food and beverage costs.

Restaurant Labor Expenses. Restaurant labor expenses include all direct and indirect labor costs incurred in operations except for profit sharing incentive compensation expenses earned by our restaurant managers. These profit sharing expenses are reflected in restaurant other operating expenses. Restaurant labor expenses also include share-based compensation expense related to restaurant-level employees.

Restaurant Rent Expense. Restaurant rent expense includes all rent, except pre-opening rent, associated with the leasing of real estate and includes base, percentage and straight-line rent expense.

Restaurant Other Operating Expenses. Restaurant other operating expenses consist of all other restaurant-level operating costs, the major components of which are utilities, supplies, advertising, repair and maintenance, property taxes, credit card and gift card fees, gift card breakage and general liability insurance. Profit sharing allocations to managing partners and market partners are also included in restaurant other operating expenses.

Pre-opening Expenses. Pre-opening expenses, which are charged to operations as incurred, consist of expenses incurred before the opening of a new restaurant and are comprised principally of opening team and training compensation and benefits, travel expenses, rent, food, beverage and other initial supplies and expenses.

Depreciation and Amortization Expense. Depreciation and amortization expense ("D&A") includes the depreciation of fixed assets and amortization of intangibles with definite lives, substantially all of which relates to restaurant-level assets.

Impairment and closure costs. Impairment and closure costs include any impairment of long-lived assets, including goodwill, associated with restaurants where the carrying amount of the asset is not recoverable and exceeds the fair value of the asset and expenses associated with the closure of a restaurant. Closure costs also include any gains or losses associated with the sale of a closed restaurant and/or assets held for sale as well as lease costs associated with closed restaurants.

[Table of Contents](#)

General and Administrative Expenses. General and administrative expenses (“G&A”) are comprised of expenses associated with corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future growth. Supervision and accounting fees received from certain franchise restaurants are offset against G&A. G&A also includes share-based compensation expense related to executive officers, support center employees and area managers, including market partners.

Interest Expense, Net. Interest expense includes the cost of our debt obligations including the amortization of loan fees, reduced by interest income and capitalized interest. Interest income includes earnings on cash and cash equivalents.

Equity Income from Unconsolidated Affiliates. As of June 25, 2013 and June 26, 2012, we owned a 5.0% to 10.0% equity interest in 23 and 22 franchise restaurants, respectively. Additionally, as of June 25, 2013, we owned a 40% equity interest in three non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. Equity income from unconsolidated affiliates represents our percentage share of net income earned by these unconsolidated affiliates.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests represents the portion of income attributable to the other owners of the majority-owned or controlled restaurants. Our consolidated subsidiaries at June 25, 2013 and June 26, 2012 included 15 and 13 majority-owned restaurants, respectively, all of which were open.

Managing Partners and Market Partners. Managing partners are single unit operators who have primary responsibility for the day-to-day operations of the entire restaurant and are responsible for maintaining the standards of quality and performance we establish. Market partners, generally, have supervisory responsibilities for up to 10 to 15 restaurants. In addition to supervising the operations of our restaurants, they are also responsible for the hiring and development of each restaurant’s management team and assist in the new restaurant site selection process.

Results of Operations

(\$ in thousands)	13 Weeks Ended				26 Weeks Ended			
	June 25, 2013		June 26, 2012		June 25, 2013		June 26, 2012	
	\$	%	\$	%	\$	%	\$	%
Revenue:								
Restaurant sales	348,929	99.1	317,546	99.1	705,493	99.1	639,558	99.1
Franchise royalties and fees	3,190	0.9	2,729	0.9	6,302	0.9	5,586	0.9
Total revenue	352,119	100.0	320,275	100.0	711,795	100.0	645,144	100.0
Costs and expenses:								
<i>(As a percentage of restaurant sales)</i>								
Restaurant operating costs (excluding depreciation and amortization shown separately below):								
Cost of sales	120,212	34.5	106,860	33.7	244,764	34.7	216,515	33.9
Labor	101,723	29.2	93,235	29.4	203,384	28.8	186,582	29.2
Rent	7,152	2.0	6,379	2.0	14,209	2.0	12,631	2.0
Other operating	54,989	15.8	50,555	15.9	110,767	15.7	101,784	15.9
<i>(As a percentage of total revenue)</i>								
Pre-opening	4,240	1.2	2,780	0.9	7,064	1.0	6,365	1.0
Depreciation and amortization	12,190	3.5	11,546	3.6	24,402	3.4	22,893	3.5
Impairment and closure	27	NM	20	NM	84	NM	39	NM
General and administrative	21,789	6.2	17,653	5.5	39,156	5.5	37,686	5.8
Total costs and expenses	322,322	91.5	289,028	90.2	643,830	90.5	584,495	90.6
Income from operations	29,797	8.5	31,247	9.8	67,965	9.5	60,649	9.4
Interest expense, net	567	0.2	568	0.2	1,162	0.2	1,173	0.2
Equity income from investments in unconsolidated affiliates								
	(218)	NM	(121)	NM	(398)	0.1	(162)	NM
Income before taxes	29,448	8.4	30,800	9.6	67,201	9.4	59,638	9.2
Provision for income taxes	8,583	2.4	9,952	3.1	19,117	2.7	19,037	3.0
Net income including noncontrolling interests	20,865	6.0	20,848	6.5	48,084	6.8	40,601	6.3
Net income attributable to noncontrolling interests	902	0.3	538	0.2	1,950	0.3	1,422	0.2
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	19,963	5.7	20,310	6.3	46,134	6.5	39,179	6.1

NM — Not meaningful

Reconciliation of GAAP and Non-GAAP Information
(in thousands, except per share data)

In addition to the results provided in accordance with GAAP throughout this document, we have provided non-GAAP measurements which present operating results on a basis before the impact of a settlement of a legal matter. This item is described in further detail throughout this document.

We used earnings before the impact of the legal settlement as a key performance measure of results of operations for purposes of evaluating performance internally. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, we believe that the presentation of results before the impact of the legal settlement provides additional information to facilitate the comparison of past and present operations, excluding items that we do not believe were indicative of our ongoing operations in the 26 weeks ended June 26, 2012.

	26 weeks Ended	
	June 25, 2013	June 26, 2012
	\$	\$
Net income attributable to Texas Roadhouse, Inc. and subsidiaries, excluding settlement charge	46,134	42,241
Amount reserved for settlement of a legal matter, net of tax (1)	—	(3,062)
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	46,134	39,179
Weighted average diluted shares outstanding	70,924	71,247
Diluted earnings per share, excluding settlement charge	0.65	0.59
Impact of settlement charge on diluted earnings per share	—	(0.04)
Diluted earnings per share	0.65	0.55

- (1) Amount reserved in the first quarter of 2012 for the settlement of a legal matter was \$5.0 million before the statutory income tax rate. The settlement was included in general administrative costs in our unaudited condensed consolidated statements of income and comprehensive income.

Restaurant Unit Activity

	Company	Franchise	Total
Balance at December 25, 2012	320	72	392
Openings — Texas Roadhouse	9	3	12
Openings — Other	1	—	1
Acquisitions (Dispositions)	—	—	—
Closures	—	—	—
Balance at June 25, 2013	330	75	405

Q2 2013 (13 weeks) Compared to Q2 2012 (13 weeks) and 2013 YTD (26 weeks) Compared to 2012 YTD (26 weeks)

Restaurant Sales. Restaurant sales increased by 9.9% in Q2 2013 as compared to Q2 2012 and 10.3% in 2013 YTD compared to 2012 YTD. This increase was primarily attributable to the opening of new restaurants and the acquisition of two franchise restaurants on December 25, 2012 combined with an increase in average unit volumes.

The following table summarizes certain key drivers and/or attributes of restaurant sales at company restaurants for the periods presented.

	Q2 2013	Q2 2012	2013 YTD	2012 YTD
Increase in store weeks	6.4%	9.8%	7.4%	8.9%
Increase in average unit volumes	3.7%	4.1%	3.3%	4.9%
Other (1)	(0.2)%	0.7%	(0.4)%	0.7%
Total increase in restaurant sales	9.9%	14.6%	10.3%	14.5%
Store weeks	4,214	3,962	8,388	7,813
Comparable restaurant sales growth	4.5%	4.5%	4.1%	5.3%
Texas Roadhouse restaurants only:				
Comparable restaurant sales growth	4.5%	4.5%	4.1%	5.3%
Average unit volume (in thousands)	\$ 1,077	\$ 1,038	\$ 2,188	\$ 2,118

- (1) Includes the impact of the year-over-year change in sales volume of all non-Texas Roadhouse restaurants, along with Texas Roadhouse restaurants open less than six months before the beginning of the period measured and, if applicable, the impact of restaurants closed during the period.

The increase in store weeks for the periods presented above is attributable to the opening of new restaurants and the acquisition of two franchise restaurants on December 25, 2012, partially offset by the closure of one non-Texas Roadhouse restaurant in the fourth quarter of 2012. Company restaurant count activity is shown in the restaurant unit activity table above.

The increase in average unit volumes for Q2 2013 and 2013 YTD was primarily driven by positive comparable restaurant sales, partially offset by lower year-over-year sales for the newer restaurants included in our average unit volumes but excluded from comparable restaurant sales. Comparable restaurant sales growth of 4.5% in Q2 2013 was due to a combination of an increase in our per person average check of 2.3% and an increase in guest traffic counts of 2.2%. Comparable restaurant sales growth of 4.1% for 2013 YTD was primarily due to an increase in our per person average check of 2.6%, along with an increase in guest traffic counts of 1.4%.

The increase in average unit volumes for Q2 2012 and 2012 YTD was primarily driven by positive comparable restaurant sales, partially offset by lower year-over-year sales for the newer restaurants included in our average unit volumes but excluded from comparable restaurant sales. Comparable restaurants sales of 4.5% in Q2 2012 and 5.3% in 2012 YTD were primarily due to an increase of 3.9% in our per person average check for both periods, along with an increase in guest traffic counts of 0.5% in Q2 2012 and 1.4% in 2012 YTD.

The increase in our per person average check for the periods presented was driven by menu price increases taken throughout 2012 and 2011. In 2012, we increased menu prices approximately 2.2% in the first quarter and approximately 2.0% in early December. In 2011, we increased menu prices approximately 2.5% to 3.0% with just over 1.0% during the first quarter of the year and the remaining during the third and fourth quarters of the year. We currently do not plan to take any additional price increases until the latter part of 2013.

In 2013, we plan to open approximately 28 company restaurants, 10 of which opened in 2013 YTD. We have either begun construction or have sites under contract for purchase or lease for all of the 18 remaining company restaurants.

Franchise Royalties and Fees. Franchise royalties and fees increased by \$0.5 million, or by 16.9%, in Q2 2013 from Q2 2012 and increased by \$0.7 million or by 12.8% in 2013 YTD from 2012 YTD. These increases were primarily attributable to an increase in average unit volumes and the opening of new franchise restaurants, partially offset by the impact of the acquisition of two franchise restaurants on December 25, 2012. Franchise comparable restaurant sales increased 5.3% in Q2 2013 and 4.5% in 2013 YTD. The acquired franchise restaurants generated approximately \$0.1 million and \$0.2 million in franchise royalties in Q2 2012 and 2012 YTD, respectively. Franchise restaurant count activity is shown in the restaurant unit activity table above. In 2013, we anticipate our franchise partners will open as many as five Texas Roadhouse restaurants, primarily internationally, three of which opened in 2013 YTD.

[Table of Contents](#)

Restaurant Cost of Sales. Restaurant cost of sales, as a percentage of restaurant sales, increased to 34.5% in Q2 2013 from 33.7% in Q2 2012 and increased to 34.7% in 2013 YTD from 33.9% in 2012 YTD. These increases were primarily attributable to commodity inflation, partially offset by the impact of menu pricing actions in 2012 and the benefit of operating efficiencies associated with process improvements at the restaurant level combined with the benefit of mix shift. Commodity inflation of approximately 6.0% in Q2 2013 and 6.5% in 2013 YTD was driven by higher food costs, primarily beef.

For the remainder of 2013, we have fixed price contracts for approximately 70% of our overall food costs with the remainder subject to fluctuating market prices. We expect commodity cost inflation of 6.5% to 7.0% in 2013.

Restaurant Labor Expenses. Restaurant labor expenses, as a percentage of restaurant sales, decreased to 29.2% in Q2 2013 compared to 29.4% in Q2 2012 and decreased to 28.8% in 2013 YTD from 29.2% in 2012 YTD. These decreases were primarily driven by an increase in average unit volumes, partially offset by higher average wage rates, along with higher workers compensation insurance costs in Q2 2013. Our per person average check increase of 2.3% in Q2 2013 and 2.6% in 2013 YTD, combined with positive guest traffic counts, more than offset average wage rate and other labor-related inflation. Workers compensation insurance costs were higher in Q2 2013 due to changes in our claims development history included in our quarterly actuarial reserve estimate.

We anticipate our labor costs will be pressured throughout the remainder of 2013 by inflation due to state-mandated increases in minimum and tip wage rates. These increases may or may not be offset by guest traffic growth and/or possible menu price adjustments.

Restaurant Rent Expense. Restaurant rent expense, as a percentage of restaurant sales, remained unchanged at 2.0% in Q2 2013 and 2013 YTD. The impact of leasing more land and buildings than we have in the past was offset by the benefit from an increase in average unit volumes.

Restaurant Other Operating Expenses. Restaurant other operating expenses, as a percentage of restaurant sales, decreased to 15.8% in Q2 2013 compared to 15.9% in Q2 2012 and decreased to 15.7% in 2013 YTD from 15.9% in 2012 YTD. These decreases were primarily attributable to an increase in average unit volumes and lower supply and utility costs, partially offset by higher gift card fees. Utility costs were lower primarily due to lower electricity costs, while lower supply costs were driven by purchasing initiatives. Gift card fees were higher due to the redemption of gift cards related to our third-party gift card retail program which was expanded in the fourth quarter of 2012.

Restaurant Pre-opening Expenses. Pre-opening expenses increased to \$4.2 million in Q2 2013 from \$2.8 million in Q2 2012 and increased to \$7.1 million in 2013 YTD from \$6.4 million in 2012 YTD. These increases were primarily attributable to the timing of restaurant openings as we expect to open approximately 18 restaurants in the second half of 2013 compared to 10 restaurant openings in the second half of 2012. We opened 10 restaurants in 2013 YTD compared with 15 restaurants in 2012 YTD. Based on our increased restaurant development plans, we expect pre-opening expense to be higher in 2013. Pre-opening costs will fluctuate from period to period based on the number and timing of restaurant openings and the number and timing of restaurant managers hired.

Depreciation and Amortization Expense. D&A, as a percentage of total revenue, decreased to 3.5% in Q2 2013 from 3.6% in Q2 2012 and decreased to 3.4% in 2013 YTD from 3.5% in 2012 YTD. Along with increases in average unit volumes, these decreases were primarily due to lower depreciation expense, as a percentage of revenue, on older restaurants as depreciation expense on short-lived assets, such as equipment, has ended. These decreases were partially offset by higher depreciation, as a percentage of revenue, at new restaurants.

General and Administrative Expenses. G&A, as a percentage of total revenue, increased to 6.2% in Q2 2013 from 5.5% in Q2 2012 while it decreased to 5.5% in 2013 YTD from 5.8% in 2012 YTD. The increase in Q2 2013 was primarily attributable to higher costs related to our annual managing partner conference where we celebrated our 20 year anniversary this year. In Q2 2013 and 2013 YTD, we incurred costs of \$3.9 million and \$4.3 million, respectively, related to our annual managing partner conference compared to \$1.6 million and \$1.9 million in Q2 2012 and 2012 YTD, respectively. The decrease in 2013 YTD is attributable to lower legal settlement charges and an increase in average unit volumes, partially offset by higher costs related to our annual managing partner conference as previously discussed. In the first quarter of 2012, we recorded a pre-tax charge of \$5.0 million (\$3.1 million after-tax) related to the settlement of a previously disclosed legal matter.

Interest Expense, Net. Interest expense remained flat at \$0.6 million in Q2 2013 and Q2 2012 and flat at \$1.2 million in 2013 YTD and 2012 YTD.

Income Tax Expense. Our effective tax rate decreased to 30.1% in Q2 2013 from 32.9% in Q2 2012 and decreased to 29.3% in 2013 YTD from 32.7% in 2012 YTD. The decreases were primarily attributable to a decrease in non-deductible officer compensation and higher federal tax credits, primarily due to the retrospective reinstatement of Work Opportunity Tax Credits ("WOTC").

We expect the tax rate to be 30.0% to 30.5% for fiscal 2013 compared to 32.8% in fiscal 2012 due to higher federal tax credits, including the discrete impact of the retroactive reinstatement of WOTC, and the decrease in non-deductible officer's compensation.

Liquidity and Capital Resources

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities:

(in 000's)	26 Weeks Ended	
	June 25, 2013	June 26, 2012
Net cash provided by operating activities	\$ 69,353	\$ 59,538
Net cash used in investing activities	(35,911)	(42,441)
Net cash used in financing activities	(15,071)	(14,316)
Net increase in cash and cash equivalents	\$ 18,371	\$ 2,781

Net cash provided by operating activities was \$69.4 million in 2013 YTD compared to \$59.5 million in 2012 YTD. This increase was primarily due to an increase in net income, partially offset by changes in working capital. The change in working capital includes changes to the gift card liability as a result of gift card redemptions. The increase in net income was driven by the continued opening of new restaurants, an increase in comparable restaurant sales at existing restaurants and the benefit from overlapping a \$5.0 million (\$3.1 million after-tax) charge related to the settlement of a previously disclosed legal matter which was accrued in the first quarter of 2012.

Our operations have not required significant working capital and, like many restaurant companies, we have been able to operate with negative working capital. Sales are primarily for cash, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, thereby reducing the need for incremental working capital to support growth.

Net cash used in investing activities was \$35.9 million in 2013 YTD compared to \$42.4 million in 2012 YTD. This decrease was primarily due to the timing of restaurant openings. We opened 10 company restaurants in 2013 YTD compared to 15 company restaurants in 2012 YTD. We plan to open approximately 28 restaurants in 2013 as compared to 25 restaurants in 2012.

We require capital principally for the development of new company restaurants and the refurbishment of existing restaurants. We either lease our restaurant site locations under operating leases for periods of five to 30 years (including renewal periods) or purchase the land where it is cost effective. As of June 25, 2013, 123 of the 330 company restaurants have been developed on land which we own.

The following table presents a summary of capital expenditures related to the development of new restaurants and the refurbishment of existing restaurants:

(in 000's)	2013 YTD	2012 YTD
New company restaurants	\$ 23,299	\$ 28,460
Refurbishment of existing restaurants (1)	12,616	14,087
Total capital expenditures	\$ 35,915	\$ 42,547
Restaurant-related repairs and maintenance expense (2)	\$ 7,229	\$ 6,960

(1) Includes minimal capital expenditures related to support center office.

(2) These amounts were recorded as an expense in the income statement as incurred.

Our future capital requirements will primarily depend on the number of new restaurants we open, the timing of those openings and the restaurant prototype developed in a given fiscal year. These requirements will include costs directly related to opening new restaurants and may also include costs necessary to ensure that our infrastructure is able to support a larger restaurant base. In fiscal 2013, we expect our capital expenditures to be \$100.0 to \$105.0 million, the majority of which will relate to planned restaurant openings, including 28 restaurant openings in 2013. This amount excludes any cash used for franchise acquisitions. We intend to satisfy our capital requirements over the next 12 months with cash on hand, net cash provided by operating activities and, if needed, funds available under our revolving credit facility. For 2013, we anticipate net cash provided by operating activities will exceed capital expenditures, which we currently plan to use to repurchase common stock, pay dividends, as approved by our Board of Directors, and/or repay borrowings under our revolving credit facility.

Net cash used in financing activities was \$15.1 million in 2013 YTD as compared to \$14.3 million in 2012 YTD. This increase was primarily due to an increase in dividends paid to stockholders, along with an increase in the indirect purchase of shares under our share-based compensation plan to settle tax withholding requirements, partially offset by a decrease in the payments on borrowings under our revolving credit facility. In the first quarter of 2013, we paid an additional dividend of \$6.9 million and increased our

[Table of Contents](#)

quarterly dividend payment to \$0.12 per share of common stock. We made no payments on borrowings under our revolving credit facility in 2013 YTD compared to \$10.0 million in payments in 2012 YTD.

On February 16, 2012, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100 million of our common stock. This stock repurchase program has no expiration date. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by the Board of Directors, based on its evaluation of our stock price, market conditions and other corporate considerations. We did not repurchase any shares of our common stock during 2013 YTD through our stock repurchase program and have \$70.6 million remaining under the program as of June 25, 2013.

We paid cash dividends of \$8.4 million in Q2 2013 related to dividends declared in February 2013. Additionally, on May 16, 2013, our Board of Directors authorized the payment of a cash dividend of \$0.12 per share of common stock. The payment of this dividend totaling \$8.4 million was distributed on June 28, 2013 to shareholders of record at the close of business on June 12, 2013. The declared dividends are included as a liability in our unaudited condensed consolidated balance sheet as of June 25, 2013.

In Q2 2013, we paid distributions of \$1.8 million to equity holders of 14 of our majority-owned company restaurants. In 2012 YTD, we paid distributions of \$1.5 million to equity holders of 12 of our majority-owned company restaurants.

On August 12, 2011, we entered into a \$200.0 million five-year revolving credit facility with a syndicate of commercial lenders led by JPMorgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo, N.A. This facility expires on August 12, 2016. The terms of revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offering Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. We are also required to pay a commitment fee of 0.150% to 0.350% per year on any unused portion of our revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for our revolving credit facility was 3.96% at June 25, 2013 and December 25, 2012, including the impact of interest rate swaps discussed below. At June 25, 2013, we had \$50.0 million outstanding under the revolving credit facility and \$145.3 million of availability, net of \$4.7 million of outstanding letters of credit.

The lenders' obligation to extend credit under the revolving credit facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 20% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of June 25, 2013.

At June 25, 2013, in addition to the amounts outstanding on our revolving credit facility, we had various other notes payable totaling \$1.4 million with interest rates ranging from 10.46% to 10.80%. Each of these notes related to the financing of specific restaurants. Our total weighted-average effective interest rate at June 25, 2013 was 4.13%, including the impact of interest rate swaps discussed below.

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate on the \$25.0 million notional amount. Our counterparty in this interest rate swap is JPMorgan Chase Bank, N.A.

On January 7, 2009, we entered into another interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the \$25.0 million notional amount. Our counterparty in this interest rate swap is JPMorgan Chase Bank, N.A.

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of June 25, 2013:

	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
	(in thousands)				
Long-term debt obligations	\$ 51,362	\$ 241	\$ 497	\$ 50,319	\$ 305
Capital lease obligations	75	75	—	—	—
Interest (1)	7,703	2,115	4,141	1,420	27
Operating lease obligations	213,598	27,528	49,801	43,692	92,577
Capital obligations	91,382	91,382	—	—	—
Total contractual obligations	<u>\$ 364,120</u>	<u>\$ 121,341</u>	<u>\$ 54,439</u>	<u>\$ 95,431</u>	<u>\$ 92,909</u>

- (1) Assumes constant rate until maturity for our fixed and variable rate debt and capital lease obligations. Uses interest rates as of June 25, 2013 for our variable rate debt. Interest payments on our variable-rate revolving credit facility balance at June 25, 2013 are calculated based on the assumption that debt relating to the interest rate swaps covering notional amounts totaling \$50.0 million remains outstanding until the expiration of the respective swap arrangements. The interest rates used in determining interest payments to be made under the interest rate swap agreements were determined by taking the applicable fixed rate of each swap plus the 0.875 % margin, which was in effect as of June 25, 2013.

We have no material minimum purchase commitments with our vendors that extend beyond a year. See note 7 to the unaudited condensed consolidated financial statements for details of contractual obligations.

Off-Balance Sheet Arrangements

Except for operating leases (primarily restaurant leases), we do not have any material off-balance sheet arrangements.

Guarantees

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, Longmont, CO, Montgomeryville, PA, Fargo, ND and Logan, UT prior to our granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but we remain contingently liable if a franchisee defaults under the terms of a lease. The Longmont lease expires in May 2014, the Everett lease expires in February 2018, the Montgomeryville lease expires in June 2021, the Fargo lease expires in July 2016 and the Logan lease expires in August 2019. As the fair value of these guarantees is not considered significant, no liability has been recorded.

Recently Issued Accounting Standards

Comprehensive Income

(Accounting Standards Update 2013-02, "ASU 2013-2")

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, that requires an organization to present the effects on the line items of net income of significant amounts reclassified out of AOCI, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-02 was effective for fiscal years beginning after December 15, 2012 (our 2013 fiscal year). The adoption of this new guidance had no impact on our consolidated financial position, results of operations or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt and dependent on the interest rate option we choose to utilize under our revolving credit facility. Our options for the rate are LIBOR plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. At June 25, 2013 there was \$50.0 million outstanding under our revolving credit facility which bears interest at approximately 87.5 to 187.5 basis points (depending on our leverage ratios) over LIBOR. As of June 25, 2013, our various other notes payable totaled \$1.4 million and had a weighted average interest rate of 10.55%.

The weighted-average interest rate for our revolving credit facility was 3.96% at June 25, 2013 and December 25, 2012, including the impact of interest rate swaps discussed below. Should interest rates based on the borrowings under our revolving credit facility increase by one percentage point, our estimated annual interest expense would not be impacted as our interest rates are fixed through our interest rate swaps.

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 3.83% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate on the \$25.0 million notional amount.

On January 7, 2009, we entered into another interest rate swap, starting February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the 1-month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the \$25.0 million notional amount.

By using derivative instruments to hedge exposures to changes in interest rates, we expose ourselves to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We attempt to minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is JPMorgan Chase Bank, N.A.

Many of the ingredients used in the products sold in our restaurants are commodities that are subject to unpredictable price volatility. Currently, we do not utilize fixed price contracts for certain commodities such as produce and certain dairy products, therefore, we are subject to prevailing market conditions when purchasing those types of commodities. For other commodities, we employ various purchasing and pricing contract techniques in an effort to minimize volatility, including fixed price contracts for terms of generally one year or less and negotiating prices with vendors with reference to fluctuating market prices. We currently do not use financial instruments to hedge commodity prices, but we will continue to evaluate their effectiveness. Extreme and/or long term increases in commodity prices could adversely affect our future results, especially if we are unable, primarily due to competitive reasons, to increase menu prices. Additionally, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term financial results could be negatively affected.

We are subject to business risk as our beef supply is highly dependent upon four vendors. If these vendors were unable to fulfill their obligations under their contracts with us, we may encounter supply shortages and incur higher costs to secure adequate supplies, any of which would harm our business.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our management, including the Chief Executive Officer (the “CEO”) and the Chief Financial Officer (the “CFO”) has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to, and as defined in, Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on the evaluation, the CEO and the CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal control

During the period covered by this report, there were no changes with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including “slip and fall” accidents, employment related claims and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us and, as of the date of this report, we are not party to any litigation that we believe could have a material adverse effect on our business other than the litigation discussed below.

On September 30, 2011, the U.S. Equal Employment Opportunity Commission (“EEOC”) filed a lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts (“Court”), Civil Action Number 1:11-cv-11732. The complaint alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions due to their age. The EEOC is seeking injunctive relief, remedial actions, payment of damages to the applicants and costs. We have filed an answer to the complaint, and the case is in discovery. An Alternative Dispute Resolution conference set by the Court was held on July 25-26, 2013 in Boston, MA, and mediated by the magistrate assigned to the case. We deny liability; however, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. We cannot estimate the possible amount or range of loss, if any, associated with this matter.

ITEM 1A. RISK FACTORS

Information regarding risk factors appears in our Annual Report on Form 10-K for the year ended December 25, 2012, under the heading “Special Note Regarding Forward-looking Statements” and in the Form 10-K Part I, Item 1A, Risk Factors. There have been no material changes from the risk factors previously disclosed in our Form 10-K for the year ended December 25, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On February 16, 2012, our Board of Directors approved a stock repurchase program which authorized us to repurchase up to \$100.0 million of our common stock of which \$70.6 million remains outstanding at June 25, 2013. This stock repurchase program has no expiration date. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases through this program will be determined by management under parameters established by our Board of Directors, based on its evaluation of our stock price, market conditions and other corporate considerations.

The following table includes information regarding purchases of our common stock made by us during the 13 weeks ended June 25, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
March 27 to April 23	—	—	—	\$ 70,614,805
April 24 to May 21	—	—	—	\$ 70,614,805
May 22 to June 25	—	—	—	\$ 70,614,805
Total	—	—	—	\$ 70,614,805

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference from Appendix A to the Texas Roadhouse, Inc. Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 5, 2013).
10.2	Form of Restricted Stock Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan.
10.3	Texas Roadhouse, Inc. Cash Bonus Plan for cash incentive awards granted pursuant to the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

SIGNATURES

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

TEXAS ROADHOUSE, INC.

Date: August 2, 2013

By: /s/ W. KENT TAYLOR
W. Kent Taylor
Chief Executive Officer
(principal executive officer)

Date: August 2, 2013

By: /s/ G. PRICE COOPER, IV
G. Price Cooper, IV
Chief Financial Officer
(principal financial officer)
(chief accounting officer)

**TEXAS ROADHOUSE, INC.
2013 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Unless otherwise defined herein, the terms defined in the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Unit Award Agreement (the "Agreement").

I. NOTICE OF GRANT OF RESTRICTED STOCK UNITS

Pursuant to the Plan, the Grantee has been granted a Full Value Award in the form of restricted stock units (referred to herein as the "Restricted Stock Units") which represent the right to receive shares of Common Stock (the "Shares"), subject to satisfaction of the vesting provisions contained in this Agreement and the Restricted Stock Unit Grant Notice (the "Grant Notice") (the form of which is attached hereto and incorporated herein as Exhibit "A") and to the other terms and conditions of the Plan, this Agreement and the Grant Notice.

II. AGREEMENT

1. **Grant of Restricted Stock Units.** The Company hereby grants to the Grantee, and the Grantee hereby accepts the grant subject to the terms set out, the conditional right to receive one Share for each Restricted Stock Unit granted as set forth in the Grant Notice and subject to the terms and conditions of the Plan, which is incorporated herein by reference.

2. **Termination of Continuous Service.** In the event the Grantee's Continuous Service terminates for any or no reason (including death or Disability) prior to the Vesting Date, the right to receive Shares will be immediately forfeited by the Grantee.

3. **Transfer Prohibited.** The Grantee may not assign, transfer, pledge or encumber in any way the Restricted Stock Units or the Grantee's right to receive Shares hereunder. Any attempted assignment, transfer, pledge or encumbrance will be void.

4. **Issuance of Shares Upon Vesting.** Provided the Grantee has been in Continuous Service from the Grant Date to the Vesting Date, upon the Vesting Date the Company will cause its transfer agent to issue to the Grantee in book entry the number of Shares subject to the Restricted Stock Units that vest on that Vesting Date, less Shares withheld for withholding taxes under Section 7 below or Shares withheld under Section 14 below, if any. If the Vesting Date set forth in the Grant Notice is a Saturday, Sunday or legal or banking holiday, the Vesting Date will be adjusted to be that date which is the next following business day. The Grantee shall be considered the owner of the Shares for purposes of voting rights, dividends and taxation of the Shares as of the Vesting Date.

5. **Adjustments.** Subject to the terms hereof, in the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination, or other corporate transaction that affects the Common Stock such that the Committee

determines, in its sole discretion, that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of Awards under the Plan, the Committee shall, in the manner it determines equitable in its sole discretion, adjust the number and kind of shares subject to this award and shall make any other adjustments that the Committee determines to be equitable.

6. Change in Control. If a Change in Control occurs prior to the Vesting Date and if the Award does not continue in effect from and after the Change in Control (whether pursuant to its terms, because the successor in such transaction does not agree to assume or substitute the Award, or any other reason), then the Award shall become 100% immediately vested upon the Change in Control, the Change in Control shall be the "Vesting Date" and all outstanding Restricted Stock Units will be paid no later than no later than the Change in Control; provided, however, that if Award vests on a Change in Control pursuant to the preceding sentence, the Company may, in its discretion, pay the Restricted Stock Units at that time in cash rather than issuing Shares to the Grantee. Any cash payment made pursuant to the foregoing shall be equal to the Fair Market Value of the Shares on the date they would otherwise be issued in accordance with the foregoing.

7. Tax Consequences. The Award is subject to withholding of all applicable taxes. On the Vesting Date, the Company shall withhold Shares otherwise deliverable to the Grantee with a Fair Market Value equal to the minimum required withholding taxes on the Restricted Stock Units from the Shares that would otherwise be issued to the Grantee, as determined by the Company in its reasonable discretion (or, if the Award is to be paid in cash pursuant to Section 6, any withholding shall be made from the cash payment otherwise payable to the Grantee). This Award is intended to be exempt from or to comply with the requirements of section 409A of the Code so that none of the Restricted Stock Units provided under this Agreement or Stock issuable thereunder will be subject to the additional tax imposed under section 409A, and any ambiguities herein will be interpreted to so comply. None of the Company or any Affiliate, however, makes any representation regarding the tax consequences of this Award and the Grantee hereby acknowledges and agrees that the ultimate liability for any and all taxes is and remains the Grantee's responsibility and liability.

8. No Guarantee of Continuous Service. THE GRANTEE ACKNOWLEDGES AND AGREES THAT VESTING OF THE RESTRICTED STOCK UNITS IS EARNED ONLY BY CONTINUOUS SERVICE AT THE WILL OF THE COMPANY. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH IN THE GRANT NOTICE DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED EMPLOYMENT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE WITH GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE GRANTEE'S EMPLOYMENT AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement will be in writing and will be deemed given when delivered or when delivery is refused. Notices shall be either personally delivered, sent by overnight delivery via a reputable carrier or mailed through the

United States Postal Service, registered or certified with return receipt requested with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

10. No Waiver. Either party's failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

11. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon the Grantee and his or her heirs, executors, administrators, successors and assigns.

12. Interpretation. Any dispute regarding the interpretation of this Agreement will be submitted by the Grantee or by the Company forthwith to the Committee which will review such dispute at its next regular meeting. The resolution of such a dispute by the Committee will be final and binding on all parties.

13. Governing Law; Severability. This Agreement is governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Kentucky.

14. Right to Withhold Amounts Owed to the Company. The Company shall have the right to withhold Shares otherwise deliverable to the Grantee with a Fair Market Value equal to all amounts then due and owing by the Grantee to the Company or any subsidiary or affiliate of the Company.

15. Entire Agreement. The Plan is incorporated herein by reference. This Agreement, the Grant Notice and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee.

16. Application to all Grant Notices and Awards. The Grantee agrees and acknowledges that all Restricted Stock Units granted to the Grantee from time to time under the Plan will be subject to the terms and conditions of this Agreement, the Plan and each Grant Notice received by the Grantee from time to time, whether such Grant Notice is transmitted via electronic transmission or otherwise.

IN WITNESS WHEREOF, the parties have subscribed their names hereto. By the Grantee’s signature below, the Grantee represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

TEXAS ROADHOUSE, INC.

Dated: _____ By: _____
Its: Chief Financial Officer

Address for Notices:
Attention: General Counsel
6040 Dutchmans Lane
Louisville, Kentucky 40205

GRANTEE:

Dated: _____ By: _____
[grantee name here]

SSN: _____

Address: _____

EXHIBIT A

FORM OF GRANT NOTICE

TEXAS ROADHOUSE, INC.

**RESTRICTED STOCK UNIT GRANT NOTICE
(2013 LONG-TERM INCENTIVE PLAN)**

TEXAS ROADHOUSE, INC. (the "Company"), pursuant to its 2013 Long-Term Incentive Plan (the "Plan"), hereby grants to the Grantee a Full Value Award in the form of the Restricted Stock Units set forth below. This grant is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Unit Award Agreement (the "Agreement") and the Plan, which the Grantee has previously received and are incorporated herein in their entirety.

Grantee:	_____
Date of Grant:	_____
Vesting Date:	_____
Restricted Stock Units granted:	_____

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: By receipt hereof, the Grantee acknowledges receipt of, and understands and agrees to, this Restricted Stock Unit Grant Notice (the "Grant Notice"), the Agreement and the Plan. The Grantee further acknowledges that as of the Date of Grant, this Grant Notice, the Agreement and the Plan set forth the entire understanding between the Grantee and the Company regarding this Award and supersede all prior oral and written agreements on that subject.

**TEXAS ROADHOUSE, INC.
2013 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Unless otherwise defined herein, the terms defined in the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Unit Award Agreement (the "Agreement").

I. NOTICE OF GRANT OF RESTRICTED STOCK UNITS

Pursuant to the Plan, the Grantee has been granted a Full Value Award in the form of restricted stock units (referred to herein as the "Restricted Stock Units") which represent the right to receive shares of Common Stock (the "Shares"), subject to satisfaction of the vesting provisions contained in this Agreement and the Restricted Stock Unit Grant Notice (the "Grant Notice") (the form of which is attached hereto and incorporated herein as Exhibit "A") and to the other terms and conditions of the Plan, this Agreement, the Grant Notice, and all employment agreements entered into between the Grantee and the Company (including any amendments thereto).

II. AGREEMENT

1. Grant of Restricted Stock Units. The Company hereby grants to the Grantee, and the Grantee hereby accepts the grant subject to the terms set out, the conditional right to receive one Share for each Restricted Stock Unit granted as set forth in the Grant Notice and subject to the terms and conditions of the Plan, which is incorporated herein by reference.
 2. Termination of Continuous Service. In the event the Grantee's Continuous Service terminates for any or no reason (including death or Disability) prior to the Vesting Date, the right to receive Shares will be immediately forfeited by the Grantee.
 3. Transfer Prohibited. The Grantee may not assign, transfer, pledge or encumber in any way the Restricted Stock Units or the Grantee's right to receive Shares hereunder. Any attempted assignment, transfer, pledge or encumbrance will be void.
 4. Issuance of Shares Upon Vesting. Provided the Grantee has been in Continuous Service from the Grant Date to the Vesting Date, upon the Vesting Date the Company will cause its transfer agent to issue to the Grantee in book entry the number of Shares subject to the Restricted Stock Units that vest on that Vesting Date, less Shares withheld for withholding taxes under Section 7 below or Shares withheld under Section 14 below, if any. If the Vesting Date set forth in the Grant Notice is a Saturday, Sunday or legal or banking holiday, the Vesting Date will be adjusted to be that date which is the next following business day. The Grantee shall be considered the owner of the Shares for purposes of voting rights, dividends and taxation of the Shares as of the Vesting Date.
 5. Adjustments. Subject to the terms hereof, in the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination,
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or other corporate transaction that affects the Common Stock such that the Committee determines, in its sole discretion, that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of Awards under the Plan, the Committee shall, in the manner it determines equitable in its sole discretion, adjust the number and kind of shares subject to this award and shall make any other adjustments that the Committee determines to be equitable.

6. Change in Control. If a Change in Control occurs prior to the Vesting Date and if the Award does not continue in effect from and after the Change in Control (whether pursuant to its terms, because the successor in such transaction does not agree to assume or substitute the Award, or any other reason), then the Award shall become 100% immediately vested upon the Change in Control, the Change in Control shall be the "Vesting Date" and all outstanding Restricted Stock Units will be paid no later than no later than the Change in Control; provided, however, that if Award vests on a Change in Control pursuant to the preceding sentence, the Company may, in its discretion, pay the Restricted Stock Units at that time in cash rather than issuing Shares to the Grantee. Any cash payment made pursuant to the foregoing shall be equal to the Fair Market Value of the Shares on the date they would otherwise be issued in accordance with the foregoing.

7. Tax Consequences. The Award is subject to withholding of all applicable taxes. On the Vesting Date, the Company shall withhold Shares otherwise deliverable to the Grantee with a Fair Market Value equal to the minimum required withholding taxes on the Restricted Stock Units from the Shares that would otherwise be issued to the Grantee, as determined by the Company in its reasonable discretion (or, if the Award is to be paid in cash pursuant to Section 6, any withholding shall be made from the cash payment otherwise payable to the Grantee). This Award is intended to be exempt from or to comply with the requirements of section 409A of the Code so that none of the Restricted Stock Units provided under this Agreement or Stock issuable thereunder will be subject to the additional tax imposed under section 409A, and any ambiguities herein will be interpreted to so comply. None of the Company or any Affiliate, however, makes any representation regarding the tax consequences of this Award and the Grantee hereby acknowledges and agrees that the ultimate liability for any and all taxes is and remains the Grantee's responsibility and liability.

8. No Guarantee of Continuous Service. THE GRANTEE ACKNOWLEDGES AND AGREES THAT VESTING OF THE RESTRICTED STOCK UNITS IS EARNED ONLY BY CONTINUOUS SERVICE AT THE WILL OF THE COMPANY. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH IN THE GRANT NOTICE DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED EMPLOYMENT OR SERVICE FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE WITH GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE GRANTEE'S EMPLOYMENT OR SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement will be in writing and will be deemed given when delivered or when delivery is refused. Notices shall be either

personally delivered, sent by overnight delivery via a reputable carrier or mailed through the United States Postal Service, registered or certified with return receipt requested with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing. Notwithstanding the foregoing, Grant Notices may be delivered electronically.

10. No Waiver. Either party's failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

11. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon the Grantee and his or her heirs, executors, administrators, successors and assigns.

12. Interpretation. Any dispute regarding the interpretation of this Agreement will be submitted by the Grantee or by the Company forthwith to the Committee which will review such dispute at its next regular meeting. The resolution of such a dispute by the Committee will be final and binding on all parties.

13. Governing Law; Severability. This Agreement is governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Kentucky.

14. Right to Withhold Amounts Owed to the Company. The Company shall have the right to withhold Shares otherwise deliverable to the Grantee with a Fair Market Value equal to all amounts then due and owing by the Grantee to the Company or any subsidiary or affiliate of the Company.

15. Entire Agreement. The Plan is incorporated herein by reference. This Agreement, the Grant Notice, the Plan and all employment agreements entered into between the Grantee and the Company (including any amendments thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee.

16. Application to all Grant Notices and Awards. The Grantee agrees and acknowledges that all Restricted Stock Units granted to the Grantee from time to time under the Plan will be subject to the terms and conditions of this Agreement, the Plan and each Grant Notice received by the Grantee from time to time, whether such Grant Notice is transmitted via electronic transmission or otherwise.

IN WITNESS WHEREOF, the parties have subscribed their names hereto. By the Grantee’s signature below, the Grantee represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

TEXAS ROADHOUSE, INC.

Dated: _____

By: _____
Name: _____
Title: _____

Address for Notices:
Attention: General Counsel
6040 Dutchmans Lane
Louisville, Kentucky 40205

GRANTEE:

Dated: _____

By: _____
[grantee name here]

SSN: _____

Address: _____

EXHIBIT A

FORM OF GRANT NOTICE

TEXAS ROADHOUSE, INC.

**RESTRICTED STOCK UNIT GRANT NOTICE
(2013 LONG-TERM INCENTIVE PLAN)**

TEXAS ROADHOUSE, INC. (the "Company"), pursuant to its 2013 Long-Term Incentive Plan (the "Plan"), hereby grants to the Grantee a Full Value Award in the form of the Restricted Stock Units set forth below. This grant is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Unit Award Agreement (the "Agreement") and the Plan, which the Grantee has previously received and are incorporated herein in their entirety.

Grantee:	_____
Date of Grant:	_____
Vesting Date:	_____
Restricted Stock Units granted:	_____

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: By receipt hereof, the Grantee acknowledges receipt of, and understands and agrees to, this Restricted Stock Unit Grant Notice (the "Grant Notice"), the Agreement and the Plan. The Grantee further acknowledges that as of the Date of Grant, this Grant Notice, the Agreement, the Plan and all employment agreements entered into between the Grantee and the Company (including any amendments thereto) set forth the entire understanding between the Grantee and the Company regarding this Award and supersede all prior oral and written agreements on that subject.

TEXAS ROADHOUSE, INC.
CASH BONUS PLAN

1. Purpose. The purpose of this Texas Roadhouse, Inc. Cash Bonus Plan (the “Bonus Plan”) is to set forth the terms and conditions of the annual cash incentive program of Texas Roadhouse, Inc. (the “Company”) and to assist the Company and its Affiliates (as defined in Section 2) in attracting, retaining, motivating and rewarding employees of the Company and its Affiliates by providing for awards that will incentivize performance by employees who contribute to the success of the Company and its Affiliates. The Bonus Plan authorizes annual cash incentive awards that are intended to qualify as “performance-based compensation” that is tax deductible without limitation under section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”) (“Performance-Based Compensation”); provided, however, that awards that are not intended to qualify as Performance-Based Compensation also may be awarded hereunder. To the extent that any Bonus Awards granted hereunder are intended to constitute Performance-Based Compensation, such Bonus Awards shall be considered to be Cash Incentive Awards granted pursuant to the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the “Incentive Plan”).

2. Definitions. In addition to the terms defined in Section 1 above and elsewhere in the Bonus Plan, the following capitalized terms used in the Bonus Plan have the following meanings:

(a) “Affiliate” means a corporation or other entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Company. For purposes of the Bonus Plan, an ownership interest of at least fifty percent (50%) shall be deemed to be a controlling interest.

(b) “Board” means the Company’s Board of Directors.

(c) “Bonus Award” means, with respect to any Participant, for any Performance Year, the amount of the Target Award Opportunity for that Participant for the Performance Year that has been earned and that is payable with respect to the Participant in accordance with the terms of the Bonus Plan.

(d) “Committee” means, with respect to awards made to named executive officers of the Company and any awards made to Covered Employees which are intended to constitute Performance-Based Compensation, the Compensation Committee of the Board (the “Compensation Committee”); provided, however, that for purposes of awards to Covered Employees that are intended to constitute Performance-Based Compensation, the Compensation Committee shall consist of solely of two or more “outside directors” within the meaning of section 162(m) of the Code and applicable regulations. With respect to all other awards, the “Committee” shall mean those officers and employees of the Company with a designation of “director” or above with authority to grant and determine cash bonuses; provided, however, that in no event shall any individual have the authority to grant or determine an award under the Bonus Plan with respect to himself or herself.

(e) “Covered Employee” means a person designated by the Committee as likely, with respect to a given calendar year, to be a “covered employee,” within the meaning of section 162 of the Code. This designation generally is required at the time a Target Award Opportunity is granted.

(f) “Participant” means a person who has been granted a Target Award Opportunity or Bonus Award under the Bonus Plan which remains outstanding.

(g) “Performance Criteria” has the meaning specified in the Incentive Plan.

(h) “Performance Year” means the Company’s fiscal year or such other period of twelve months which is the measurement period for determining the Target Award Opportunity.

(i) “Target Award Opportunity” means, with respect to any Participant, the amount of a Bonus Award that the Participant potentially may earn in respect of a specified Performance Year determined in accordance with Exhibit A hereof, which is incorporated herein and forms a part of the Bonus Plan, and subject to such additional requirements as the Committee may impose. A Target Award Opportunity constitutes a conditional right to receive a Bonus Award.

3. Administration.

(a) *Authority of the Committee.* The Bonus Plan shall be administered by the Committee, which shall have full and final authority and discretion, in each case subject to and consistent with the provisions of the Bonus Plan and any applicable laws or regulations, to:

(i) select eligible employees of the Company and its Affiliates to become Participants;

(ii) grant Target Award Opportunities and Bonus Awards under the Bonus Plan;

(iii) prescribe documents setting forth the terms of Target Award Opportunities and Bonus Awards, if any (which award documents need not be identical for each Participant or each Bonus Award), amendments thereto, and rules and regulations for the administration of the Bonus Plan;

(iv) conclusively construe and interpret the Bonus Plan and Bonus Award documents, if any, and correct defects, supply omissions or reconcile inconsistencies therein; and

(v) make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Bonus Plan.

(b) *Committee Determinations.* Decisions of the Committee with respect to the administration and interpretation of the Bonus Plan shall be final, conclusive, and binding upon all persons interested in the Bonus Plan.

(c) *Manner of Exercise of Committee Authority.* The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

(d) *Delegation of Authority.* The Committee may delegate to one or more officers or employees of the Company or any Affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent that such delegation will not cause Target Award Opportunities and Bonus Awards that are intended to qualify as Performance-Based Compensation to fail to so qualify.

(e) *Limitation of Liability.* The Committee and each member thereof (including any individual acting as the Committee), and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or an Affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Bonus Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or an Affiliate acting at the direction or on behalf of the Committee or a delegatee shall not be personally liable for any action or determination taken or made in good faith with respect to the Bonus Plan, and shall, to the fullest extent permitted by law and the Company's bylaws, be fully indemnified and protected by the Company with respect to any such action or determination. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

4. Granting of Target Award Opportunities and Earning of Bonus Awards.

(a) *Granting of Target Award Opportunities.* The Committee shall select employees to participate in the Bonus Plan and designate the Performance Year of such participation. The Committee shall designate, for each such Participant, the Target Award Opportunity such Participant may earn for such Performance Year and any conditions to the earning of such Target Award Opportunity or portions thereof. Target Award Opportunities will be denominated in cash and Bonus Awards will be payable in cash.

(b) *Bonus Awards to Covered Employees.* If the Committee determines that a Target Award Opportunity to be granted to an eligible person who is a Covered Employee should qualify as Performance Based Compensation, the Committee will specify the Performance Year and the Participant's Target Award Opportunity no later than the date which is the earlier of (i) ninety (90) days after the beginning of the applicable Performance Year or (ii) the time twenty-five percent (25%) of such Performance Year has elapsed (as scheduled in good faith at the time the Target Award Opportunity is established), and in any event provided that the outcome is substantially uncertain at the time the Target Award Opportunity is established. Any payment or other event which would change the time of payment of such Bonus Award

from that originally specified shall be implemented in a manner such that the Bonus Award does not, solely for that reason, fail to qualify as Performance-Based Compensation.

(c) *Additional Participants and Granting of Target Award Opportunity During a Performance Year.* At any time during a Performance Year, the Committee may select a new employee or a newly promoted employee to participate in the Bonus Plan for that Performance Year and/or grant to any such Participant a Target Award Opportunity (or additional Target Award Opportunity) for such Performance Year or a future Performance Year. In determining the amount of the Target Award Opportunity for such Participant under this subsection 4(c), the Committee, in its sole and absolute discretion, may take into account the portion of the Performance Year already elapsed, the performance achieved during such elapsed portion of the Performance Year, and such other considerations as the Committee may deem relevant.

(d) *Determination of Bonus Award.* During the year following a Performance Year, within a reasonable time after the end of such Performance Year and after financial results for the Performance Year have become available (but not later than March 15th of the year following the Performance Year for any portion of a Bonus Award for which the substantial risk of forfeiture lapsed during the Performance Year), the Committee will determine the extent to which each Participant's Target Award Opportunity for the Performance Year has been earned and the amount of the Bonus Award payable with respect to such Participant related to the Target Award Opportunity for such Performance Year. The Committee may, in its sole and absolute discretion, increase or reduce the amount of a Bonus Award or cancel a Bonus Award, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Bonus Award that is intended to qualify as Performance-Based Compensation if such increase would cause the amount payable under the related Target Award Opportunity to exceed the amount actually earned based on the performance of the applicable Performance Criteria and satisfaction of performance targets applicable to such Target Award Opportunity. Unless otherwise specifically determined by the Committee (or as otherwise specifically provided under a separate agreement, plan or policy conferring rights on the Participant), the Bonus Award shall be deemed earned and vested only at the time, and to the extent, that the Committee makes the determination pursuant to this subsection 4(d) and only with respect to a Participant who remains employed by the Company or an Affiliate at the time of the determination, and no Participant has a legal right to receive a Bonus Award until such determination has been made.

(e) *Written Determinations.* Determinations by the Committee under this Section 4, including Target Award Opportunities and the amount of any Bonus Award earned shall be recorded in writing. With regard to Bonus Awards to Covered Employees that are intended to qualify as Performance-Based Compensation, the Committee will certify, in a manner conforming to applicable regulations and other applicable guidance under section 162(m) of the Code, prior to payment of each such Bonus Award granted to a Covered Employee, that the Bonus Award (and any related Target Award Opportunity) has been earned and other material terms upon which earning of the Bonus Award was conditioned, including the applicable Performance Criteria and performance targets have been satisfied.

(f) *Other Terms of Target Award Opportunities and Bonus Awards.* Subject to the terms of this Bonus Plan, the Committee may specify the circumstances under which Target Award Opportunities and Bonus Awards shall be paid or forfeited in the event of a change in control, termination of employment or other event prior to the end of a Performance Year or payment of a Bonus Award, taking into account the requirements of section 162(m) of the Code, if applicable. All Bonus Awards under the Bonus Plan are subject to the Company's recoupment or clawback policies as in effect from time to time.

(g) *Adjustments.* The Committee, in its sole and absolute discretion, is authorized to make adjustments in the terms and conditions of, and the criteria included in, Target Award Opportunities in recognition of unusual or nonrecurring events, including acquisitions and dispositions of businesses and assets, affecting the Company and any Affiliate or other business unit, or the financial statements of the Company or any Affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates, tax credits, and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any Affiliate or business unit thereof, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided, however, with respect to any award that is intended to be Performance-Based Compensation, the authority of the Committee to make adjustments on account of extraordinary items or other unusual or non-recurring events, shall be limited to those set forth in the Incentive Plan and no such adjustments shall be authorized or made if and to the extent that the existence or exercise of such authority would cause a Target Award Opportunity or Bonus Award under subsection 4(b) that is intended to qualify as Performance-Based Compensation to fail to so qualify.

5. Payment of Bonus Awards.

(a) *Payment of Bonus Award.* Any Bonus Award shall be paid by the Company promptly after the date of determination by the Committee under subsection 4(d) hereof but in no event later than March 15th of the year following the Performance Year to which the Bonus Award relates, except that, in the case of any Bonus Award or portion thereof subject to a substantial risk of forfeiture extending into that following year, the Bonus Award may be paid at any time during such following year.

(b) *Tax Withholding.* The Company and its Affiliates shall deduct from any payment of a Participant's Bonus Award or from any other payment to the Participant, including wages, any Federal, state, or local withholding or other tax or charge which is then required to be deducted under applicable law with respect to the Bonus Award.

(c) *Non-Transferability.* A Target Award Opportunity, any resulting Bonus Award, and any other right hereunder shall be non-assignable and nontransferable, and shall not be pledged, encumbered, or hypothecated to or in favor of any party or subject to any lien, obligation or liability of the Participant to any party other than the Company or an Affiliate.

6. General Provisions.

(a) *Amendment and Termination.* The Compensation Committee may at any time amend, alter, suspend, discontinue or terminate this Bonus Plan, and such action shall not be subject to the approval of the Company's stockholders or Participants; provided, however, that (i) any amendment to the Bonus Plan beyond the scope of the Compensation Committee's authority shall be subject to the approval of the Board; (ii) any amendment to the Bonus Plan shall be subject to stockholder approval if and to the extent required so that Target Award Opportunities and Bonus Awards under subsection 4(b) can continue to qualify as Performance-Based Compensation; and (iii) without the consent of the Participant, no such action shall materially impair the rights of a Participant with respect to a Bonus Award as to which the Committee no longer retains a right to exercise negative discretion to eliminate the payment of the Bonus Award.

(b) *Participant Acceptance of Bonus Plan and Bonus Award Terms.* By accepting any Bonus Award or other benefit under the Bonus Plan, a Participant and each person claiming under or through him or her shall be conclusively deemed to have accepted, ratified and consented to any action taken or made under the Bonus Plan by the Company, the Board, the Committee or any other person or committee appointed by the Board, and to have agreed to all terms and conditions under the Bonus Plan and otherwise specified in connection with such Bonus Award.

(c) *Section 162(m).* Unless otherwise determined by the Committee, the provisions of this Bonus Plan shall be administered and interpreted in accordance with the applicable requirements of section 162(m) of the Code so as to provide for the deductibility by the Company of payments of Bonus Awards to Covered Employees.

(d) *Nonexclusivity of the Bonus Plan.* The adoption of this Bonus Plan shall not be construed as creating any limitations on the power of the Company, Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant or employee, including authorization of annual incentives under other plans and arrangements.

(e) *No Right to Continued Employment.* Neither the Bonus Plan, its adoption, its operation, nor any action taken under the Bonus Plan shall be construed as giving any employee the right to be retained or continued in the employ of the Company or any Affiliate, nor shall it interfere in any way with the right and power of the Company or any Affiliate to dismiss or discharge any employee or take any action that has the effect of terminating any employee's employment at any time.

(f) *Severability.* The invalidity of any provision of the Bonus Plan or a document hereunder shall not be deemed to render the remainder of this Bonus Plan or such document invalid.

(g) *Successors.* The Bonus Plan shall be binding and inure to the benefit of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise, and

whether or not the corporate existence of the Company continues) to the Company or to the successor to all or substantially all of the business and/or assets of the Company.

(h) *Governing Law.* The validity, construction, and effect of the Bonus Plan and any rules and regulations or document hereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be determined in accordance with the laws of the State of Kentucky, without giving effect to conflict of law principles.

(i) *Effective Date of Bonus Plan.* The Bonus Plan, as amended and restated, is effective as of December 26, 2012; provided, however, that no Bonus Award which is intended to be Performance-Based Compensation shall be paid to any Covered Employee unless and until the Incentive Plan is approved by the Company's stockholders.

EXHIBIT A

DETERMINATION OF TARGET AWARD OPPORTUNITIES

PERFORMANCE YEAR 2013

Defined Terms

- *Bonus Pool*: A hypothetical cash amount equal to a percentage of the Company's Pre-tax Profits for the Performance Year.
- *Earnings Per Share (EPS)*: The Company's fully diluted earnings per share for the Performance Year, calculated in accordance with generally accepted accounting principles.
- *Performance Year*: Company's 2013 Fiscal Year
- *Pre-tax Profits*: The Company's income before taxes minus income attributable to non-controlling interests, calculated in accordance with generally accepted accounting principles.

Establishment of Performance Goals for All Participants for Performance Year

Bonus Awards and Target Award Opportunities for the Performance Year will be based on growth in EPS (the "EPS Performance Goal") and the Company's Pre-tax Profits (the "Pre-tax Profit Goal") each for the Performance Year as follows, subject to the terms and conditions of this Exhibit A:

- **EPS Performance Goal**: The Target Award Opportunity based on annual growth in EPS of ten percent (10%), opportunity reduced by ten percent (10%) for each one percent (1%) of annual growth in EPS of less than ten percent (10%) and increased above target by ten percent (10%) for each one percent (1%) of annual growth in EPS in excess of ten percent (10%); no increase in payout for EPS growth in excess of forty percent (40%). Linear interpolation between percentages shall be applied. Subject to the terms and conditions of the Plan, a Participant's actual Bonus Award based on satisfaction of the EPS Performance Goal shall be equal to the Target Award Opportunity based on the EPS Performance Goal as adjusted in accordance with the foregoing.
- **Pre-tax Profit Goal**: The actual Bonus Pool for all Participants in the Plan for the Performance Year will be determined at the end of the Performance Year and will be equal to no more than one and one half percent (1.5%) of the Company's Pre-tax Profits for the Performance Year. Subject to the terms and conditions of the Plan, a Participant's actual Bonus Award based on satisfaction of the Pre-tax Profit Goal shall be equal to the Participant's proportionate interest in the Bonus Pool calculated based on the percentage interest assigned to the Participant by the Committee (that is, the percentage interest assigned to the Participant multiplied by the Bonus Pool).

Notwithstanding the foregoing, in the case of a Covered Employee, in no event shall the aggregate actual Bonus Award for any Performance Year based on satisfaction of the EPS Performance Goal and satisfaction of the Pre-tax Profit Goal exceed the aggregate maximum Bonus Award amount set forth in Attachment I to this Exhibit A.

Individual Target Award Opportunities for Covered Employees

The individual Target Award Opportunities and maximum Bonus Awards for Covered Employees for Performance Year 2013 shall be as set for Attachment I hereto.

Calculation of Bonus Award

Bonus Award Based on EPS Performance Goal

After the end of the Performance Year, the appropriate Committee shall determine whether and to what extent the EPS Performance Goal has been met and the appropriate Committee shall determine the amount of the Bonus Award to which each Participant is entitled based on satisfaction of the EPS Performance Goal and the targets and formulae set forth above and, in the case of a Covered Employee, in Attachment I hereto, taking into account the provisions of the Plan, including the provisions of subsection 4(g) of thereof.

Bonus Award Based on Pre-tax Profit Goal

After the end of the Performance Year, the appropriate Committee shall determine the Bonus Pool based on the foregoing formula and the appropriate Committee shall determine the portion of the Bonus Pool to which each Participant is entitled based on the satisfaction of the Pre-tax Profit Goal and the corresponding amount of the Bonus Pool and the targets and formulae set forth above and, in the case of a Covered Employee, in Attachment I hereto, taking into account the provisions of the Plan, including the provisions of subsection 4(g) of the Plan.

Limit of Incentive Plan

In the case of any Bonus Award with respect to any Covered Employee that is intended to be Performance-Based Compensation, the total amount of the Bonus Award payable to such Covered Employee for any Performance Year shall not exceed the maximum limitation on Cash Incentive Awards under the Incentive Plan.

Discretion

With respect to any Covered Employee, the appropriate Committee may exercise downward (but not upward) discretion in determining the amount of the Bonus Award. In addition, the Committee may not exercise negative discretion with respect to one Participant that results in an increase in the Bonus Award to any other Participant who is a Covered Employee.

Certification of Targets

Prior to the payment of any Bonus Award to any Covered Employee, the Committee shall certify in writing whether that the applicable performance goals and targets and any other material terms of the Bonus Award at the applicable level of payment were satisfied.

Bonus Plan Terms Control

Except as provided in this Exhibit A, the terms of the Bonus Plan will control.

**ATTACHMENT 1 TO
EXHIBIT A TO TEXAS ROADHOUSE, INC. CASH BONUS PLAN**

**DETERMINATION OF TARGET AWARD OPPORTUNITIES
PERFORMANCE YEAR 2013**

(Covered Employees Only)

Participant Name	Target Award Opportunity Based on EPS Performance Goal	Target Award Opportunity Based on Pre-tax Profit Goal*	Percentage Interest in Bonus Pool	Maximum Aggregate Bonus Award**
Kent Taylor	\$ 262,500	\$ 262,500	%	\$ 1,050,000
Scott Colosi	\$ 150,000	\$ 150,000	%	\$ 600,000
Steve Ortiz	\$ 240,000	\$ 240,000	%	\$ 960,000
Price Cooper	\$ 75,000	\$ 75,000	%	\$ 300,000
Jill Marchant	\$ 50,000	\$ 50,000	%	\$ 200,000

*The Target Award Opportunity Based on satisfaction of the Pre-tax Profit Goal is provided for informational purposes only and is not relevant to the calculation of the portion of the Bonus Award attributable to satisfaction of the Pre-tax Profit Goal.

**Sum of actual Bonus Award based on satisfaction of EPS Performance Goal and Pre-tax Profit Goal cannot exceed Maximum Aggregate Bonus Award. Neither component of the Bonus Award (that is, the portion attributable to satisfaction of the EPS Performance Goal and the portion attributable to satisfaction of the Pre-Tax Profit Goal) can exceed the amount calculated for that portion based on satisfaction of applicable targets and application of the formula attributable to those separate components, respectively.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT**

I, W. Kent Taylor, certify that:

1. I have reviewed this report on Form 10-Q of Texas Roadhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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: August 2, 2013

By: /s/ W. KENT TAYLOR

W. Kent Taylor
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT**

I, G. Price Cooper, IV, certify that:

1. I have reviewed this report on Form 10-Q of Texas Roadhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer 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: August 2, 2013

By: /s/ G. PRICE COOPER, IV

G. Price Cooper, IV
Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

I, W. Kent Taylor, Chief Executive Officer of Texas Roadhouse, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 25, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2013

By: /s/ W. KENT TAYLOR

W. Kent Taylor
Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

I, G. Price Cooper, IV, Principal Financial Officer of Texas Roadhouse, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 25, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2013

By: /s/ G. PRICE COOPER, IV

G. Price Cooper, IV
Chief Financial Officer

