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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 30, 2014

OR

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

For the transition period from to

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or
organization)

000-50972
(Commission File Number)

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)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.001 per share	Nasdaq Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒.

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 Regulation 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☒.

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last day of the second fiscal quarter ended July 1, 2014 was \$1,605,959,498 based on the closing stock price of \$26.00. Shares of voting stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The market value calculation was determined using the closing stock price of our common stock on the Nasdaq Global Select Market.

The number of shares of common stock outstanding were 69,844,329 on February 18, 2015.

Portions of the registrant's definitive Proxy Statement for the registrant's 2015 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days of the registrant's fiscal year ended December 30, 2014, are incorporated by reference into Part III of the Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements about future events and expectations that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements. In addition to the other factors discussed under "Risk Factors" elsewhere in this report, factors that could contribute to these differences include, but are not limited to:

- our ability to raise capital in the future;
- our ability to successfully execute our growth strategy;
- our ability to successfully open new restaurants, acquire franchise restaurants or execute other strategic transactions;
- our ability to increase and/or maintain sales and profits at our existing restaurants;
- our ability to integrate the franchise or other restaurants which we acquire or develop;
- the continued service of key management personnel;
- health concerns about our food products;
- our ability to attract, motivate and retain qualified employees;
- the impact of federal, state or local government laws and regulations relating to our employees or production and the sale of food and alcoholic beverages;
- the impact of litigation, including negative publicity;
- the cost of our principal food products;
- labor shortages or increased labor costs, such as health care, market wage levels and workers' compensation insurance costs;
- inflationary increases in the costs of construction and/or real estate;
- changes in consumer preferences and demographic trends;
- the impact of initiatives by competitors and increased competition generally;
- our ability to successfully expand into new domestic and international markets;
- risks associated with partnering in markets with franchisees or other investment partners with whom we have no prior history and whose interests may not align with ours;
- risks associated with developing new restaurant concepts and our ability to open new concepts;
- security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions or the failure of our information technology systems;
- the rate of growth of general and administrative expenses associated with building a strengthened corporate infrastructure to support our growth initiatives;
- negative publicity regarding food safety, health concerns and other food or beverage related matters, including the integrity of our or our suppliers' food processing;

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- our franchisees' adherence to our practices, policies and procedures;
- potential fluctuation in our quarterly operating results due to seasonality and other factors;
- supply and delivery shortages or interruptions;
- our ability to adequately protect our intellectual property;
- volatility of actuarially determined insurance losses and loss estimates;
- adoption of new, or changes in existing, accounting policies and practices;
- adverse weather conditions which impact guest traffic at our restaurants; and
- unfavorable general economic conditions in the markets in which we operate that adversely affect consumer spending.

The words "believe," "may," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive," "goal," "projects," "forecasts," "will" or similar words or, in each case, their negative or other variations or comparable terminology, identify forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

Other risks, uncertainties and factors, including those discussed under "Risk Factors," could cause our actual results to differ materially from those projected in any forward-looking statements we make.

We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I

ITEM 1—BUSINESS

Texas Roadhouse, Inc. (the "Company") was incorporated under the laws of the state of Delaware in 2004. The principal executive office is located in Louisville, Kentucky.

General Development of Business

Texas Roadhouse, Inc. is a growing, moderately priced, full-service restaurant company. Our founder, chairman and chief executive officer ("CEO"), 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 451 restaurants in 49 states and four foreign 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 December 30, 2014, we owned and operated 372 restaurants and franchised an additional 79 restaurants. Of the 372 restaurants we owned and operated at the end of 2014, we operated 368 as Texas Roadhouse restaurants and three operated as Bubba's 33 restaurants. While the majority of our restaurant growth in 2015 will be Texas Roadhouse restaurants, we currently expect to open as many as five Bubba's 33 restaurants in 2015.

Financial Information about Operating Segments

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers, and possessing similar pricing structures, resulting in similar long-term expected financial performance characteristics. Each of our 372 company-owned restaurants is considered an operating segment.

Narrative Description of Business

Texas Roadhouse is a full-service, casual dining restaurant concept. We offer an assortment of specially seasoned and aged steaks hand-cut daily on the premises and cooked to order over open gas-fired grills. In addition to steaks, we also offer our guests a selection of ribs, fish, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. The majority of our entrées include two made-from-scratch side items, and we offer all our guests a free unlimited supply of roasted in-shell peanuts and made-from-scratch yeast rolls.

The operating strategy that underlies the growth of our concepts is built on the following key components:

- *Offering high quality, freshly prepared food.* We place a great deal of emphasis on providing our guests with high quality, freshly prepared food. We hand-cut all but one of our assortment of steaks and make our sides from scratch. As part of our process, we have developed proprietary recipes to provide consistency in quality and taste throughout all restaurants. We expect a management level employee to inspect every entrée before it leaves the kitchen to confirm it matches the guest's order and meets our standards for quality, appearance and presentation. In addition, we employ a team of product coaches whose function is to provide continual, hands-on training and education to our kitchen staff for the purpose of promoting uniform adherence to recipes, food preparation procedures, food safety standards, food appearance, freshness and portion size.
- *Offering performance-based manager compensation.* We offer a performance-based compensation program to our individual restaurant managers and multi-restaurant supervisors, who are called "managing partners" and "market partners," respectively. Each of these partners earns a base

salary plus a performance bonus, which represents a percentage of each of their respective restaurant's pre-tax net income. By providing our partners with a significant stake in the success of our restaurants, we believe that we are able to attract and retain talented, experienced and highly motivated managing and market partners.

- *Focusing on dinner.* In a high percentage of our restaurants, we limit our operating hours to dinner only during the weekdays with approximately one half of our restaurants offering lunch on Friday. By focusing on dinner, our restaurant teams have to prepare for and manage only one shift per day during the week. We believe this allows our restaurant teams to offer higher quality, more consistent food and service to our guests. In addition, we believe the dinner focus provides a better "quality-of-life" for our management teams and, therefore, is a key ingredient in attracting and retaining talented and experienced management personnel. We also focus on keeping our table-to-server ratios low to allow our servers to truly focus on their guests and serve their needs in a personal, individualized manner.
- *Offering attractive price points.* We offer our food and beverages at moderate price points that we believe are as low as or lower than those offered by many of our competitors. Within each menu category, we offer a choice of several price points with the goal of fulfilling each guest's budget and value expectations. For example, our steak entrées, which include the choice of two side items, generally range from \$9.99 for our 6-ounce sirloin to \$24.99 for our 23-ounce Porterhouse T-Bone. The per guest average check for the Texas Roadhouse restaurants we owned and operated in 2014 was \$16.02. Per guest average check represents restaurant sales divided by the number of guests served. We consider each sale of an entrée to be a single guest served. Our per guest average check is higher as a result of our weekday dinner only focus.
- *Creating a fun and comfortable atmosphere.* We believe the atmosphere we establish in our restaurants is a key component for fostering repeat business. Our Texas Roadhouse restaurants feature a rustic southwestern lodge décor accentuated with hand-painted murals, neon signs, and southwestern prints, rugs and artifacts. Additionally, we offer jukeboxes, which continuously play upbeat country hits.

Unit Prototype and Economics

We design our restaurant prototypes to provide a relaxed atmosphere for our guests, while also focusing on restaurant-level returns over time. Our current prototypical Texas Roadhouse restaurants consist of a freestanding building with approximately 6,700 to 7,500 square feet of space constructed on sites of approximately 1.7 to 2.0 acres or retail pad sites, with seating of approximately 57 to 68 tables for a total of 245 to 329 guests, including 15 bar seats, and parking for approximately 160 vehicles either on-site or in combination with some form of off-site cross parking arrangement. Our current prototypes are adaptable to in-line and end-cap locations and/or spaces within an enclosed mall or a shopping center.

As of December 30, 2014, we leased 245 properties and owned 127 properties. Our 2014 average unit volume was \$4.4 million, which represents restaurant sales for all Texas Roadhouse company restaurants open before July 1, 2013. The time required for a new restaurant to reach a steady level of cash flow is approximately three to six months. For 2014, the average capital investment, including

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pre-opening costs, for the 22 Texas Roadhouse company restaurants opened during the year was \$5.1 million, broken down as follows:

	Average Cost	Low	High
Land(1)	\$ 1,115,000	\$ 500,000	\$ 1,650,000
Building(2)	2,040,000	1,415,000	3,885,000
Furniture and Equipment	1,160,000	880,000	1,735,000
Pre-opening costs	732,000	370,000	1,260,000
Other(3)	65,000	—	450,000
Total	<u>\$ 5,112,000</u>		

- (1) Represents the average cost for land acquisitions or 10x's initial base rent in the event the land is leased.
- (2) Includes site work costs.
- (3) Primarily liquor licensing costs, where applicable. This cost varies based on the licensing requirements in each state.

Our 2014 average capital investment of \$5.1 million was higher than our 2013 average of \$4.1 million and our 2012 average of \$3.9 million. The increase in our 2014 average capital investment was primarily due to higher building costs at certain locations, such as Anchorage, Alaska and the New York City, NY vicinity, along with higher pre-opening costs due to unexpected delays in restaurant openings throughout the year. Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of any required site work, type of construction labor (union or non-union), local permitting requirements, our ability to negotiate with landlords, cost of liquor and other licenses and hook-up fees and geographical location. We expect our average capital investment for Texas Roadhouse restaurants to be open in 2015 to be approximately \$4.7 million.

Site Selection

We continue to refine our site selection process. In analyzing each prospective site, our real estate team, including our restaurant market partners, devotes significant time and resources to the evaluation of local market demographics, population density, household income levels and site-specific characteristics such as visibility, accessibility, traffic generators, proximity of other retail activities, traffic counts and parking. We work actively with real estate brokers in target markets to select high quality sites and to maintain and regularly update our database of potential sites. We typically require three to six months to locate, approve and control a restaurant site and typically six to 12 additional months to obtain necessary permits. Upon receipt of permits, it requires approximately four to five months to construct, equip and open a restaurant.

Existing Restaurant Locations

As of December 30, 2014, we had 372 company restaurants and 79 franchise restaurants in 49 states and four foreign countries as shown in the chart below.

	Number of Restaurants		
	Company	Franchise	Total
Alabama	5	—	5
Alaska	2	—	2
Arizona	13	—	13
Arkansas	3	—	3
California	3	5	8
Colorado	13	1	14
Connecticut	3	—	3
Delaware	2	2	4
Florida	16	4	20
Georgia	5	7	12
Idaho	5	—	5
Illinois	15	—	15
Indiana	15	8	23
Iowa	9	—	9
Kansas	3	1	4
Kentucky	10	2	12
Louisiana	8	1	9
Maine	3	—	3
Maryland	4	5	9
Massachusetts	8	1	9
Michigan	8	3	11
Minnesota	4	—	4
Mississippi	1	—	1
Missouri	10	—	10
Montana	—	1	1
Nebraska	3	1	4
Nevada	1	—	1
New Hampshire	3	—	3
New Jersey	5	—	5
New Mexico	4	—	4
New York	13	—	13
North Carolina	17	—	17
North Dakota	2	1	3
Ohio	25	2	27
Oklahoma	6	—	6
Oregon	2	—	2
Pennsylvania	20	6	26
Rhode Island	2	—	2
South Carolina	1	6	7
South Dakota	2	—	2
Tennessee	11	2	13
Texas	51	5	56
Utah	9	1	10
Vermont	1	—	1
Virginia	12	—	12
Washington	1	—	1
West Virginia	1	2	3
Wisconsin	10	3	13
Wyoming	2	—	2
Total domestic restaurants	372	70	442
United Arab Emirates	—	4	4
Saudi Arabia	—	1	1
Kuwait	—	2	2
Taiwan	—	2	2
Total international restaurants	—	9	9
Total system-wide restaurants	372	79	451

Food

Menu. Texas Roadhouse restaurants offer a wide variety of menu items at attractive prices that are designed to appeal to a broad range of consumer tastes. Our dinner entrée prices generally range from \$8.99 to \$24.99, with approximately 15 meals priced under \$10.00. We offer a broad assortment of specially seasoned and aged steaks, including 6, 8, 11 and 16 oz. Sirloins; 10, 12, and 16 oz. Rib-eyes; 6 and 8 oz. Filets; New York Strip; Prime Rib; and our Porterhouse T-Bone, all cooked over open gas-fired grills and all but one hand-cut daily on the premises. We also offer our guests a selection of ribs, fish, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. Entrée prices include made-from-scratch yeast rolls and most include the choice of two of the following made-from-scratch sides: baked potato, sweet potato, steak fries, mashed potatoes, house or Caesar salad, green beans, chili, seasoned rice, buttered corn, applesauce and steamed vegetables. Our menu allows guests to customize their meals by ordering steaks that are "smothered" either in sautéed mushrooms, onions, cheese or gravy. Guests may also customize their baked potatoes, mashed potatoes or steak fries by ordering them "loaded" with sour cream, cheese, bacon and/or butter. Other menu items include specialty appetizers such as the "Cactus Blossom®". We also provide a "12 & Under" menu for children that includes sirloin steak, rib basket, Lil' Dillo Steak Bites, Jr. Chicken Tenders, grilled chicken, mini-cheeseburgers, hot dog and macaroni and cheese, all served with one side item and a beverage at prices generally between \$3.99 and \$8.99.

Most of our restaurants feature a full bar that offers an extensive selection of draft and bottled beer, major brands of liquor and wine as well as margaritas. Managing partners are encouraged to tailor their beer selection to include regional and local brands. Alcoholic beverages accounted for approximately 11% of restaurant sales in fiscal 2014.

We have maintained a fairly consistent menu over time, with a selection of approximately 60 entrees and 90 total menu items. We continually review our menu to consider enhancements to existing menu items or the introduction of new items. We change our menu only after guest feedback and an extensive study of the operational and economic implications. To maintain our high levels of food quality and service, we generally remove one menu item for every new menu item introduced so as to facilitate our ability to execute high quality meals on a focused range of menu items.

Food Quality and Safety. We are committed to serving a varied menu of high-quality, great tasting food items with an emphasis on freshness. We have developed proprietary recipes to promote consistency in quality and taste throughout all restaurants and provide a unique flavor experience to our guests. At each restaurant, a trained meat cutter hand cuts our steaks and other restaurant team members prepare our side items and yeast rolls from scratch in the restaurants daily. We assign individual kitchen employees to the preparation of designated food items in order to focus on quality, consistency and speed. Additionally, we expect a management level employee to inspect every entrée before it leaves the kitchen to confirm it matches the guest's order and meets our standards for quality, appearance and presentation.

We employ a team of product coaches whose function is to provide continual, hands-on training and education to the kitchen staff in our restaurants for the purpose of reinforcing the uniformity of recipes, food preparation procedures, food safety and sanitation standards, food appearance, freshness and portion size. The team currently consists of over 45 product coaches, supporting substantially all restaurants system-wide.

Food safety is of utmost importance to us. We currently utilize several programs to help facilitate adherence to proper food preparation procedures and food safety standards including our daily Taste and Temp procedures. We have a food team whose function, in conjunction with our product coaches, is to develop, enforce and maintain programs designed to promote compliance with food safety guidelines. As a requirement of our quality assurance process, primary food items purchased from qualified vendors have been inspected by reputable, outside inspection services confirming that the vendor is compliant with United States Food and Drug Administration ("FDA") and United States Department of Agriculture ("USDA") guidelines.

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We generally perform food safety and sanitation audits on each restaurant four times a year and these results are reviewed by various members of operations and management. To reinforce the importance of food safety, we have printed all HACCP (Hazard Analysis Critical Control Points) and Critical procedures (such as hand washing) in bold type on each recipe. In addition, most of our product coaches and food team members have obtained or are in the process of obtaining their Certified Professional—Food Safety designation from the National Environmental Health Association.

Purchasing. Our purchasing philosophy is designed to supply fresh, quality products to the restaurants at competitive prices while maximizing operating efficiencies. We negotiate directly with suppliers for substantially all food and beverage products to maximize quality and freshness and obtain competitive prices. Certain products, such as dairy products and select produce, are purchased locally to maximize freshness.

Food and supplies are ordered by and shipped directly to the domestic restaurants, as we do not maintain a central product warehouse or commissary. Most food products used in the operation of our restaurants are distributed to individual restaurants through an independent national distribution company. We strive to qualify more than one supplier for all key food items and believe that beef of comparable quality as well as all other essential food and beverage products are available, upon short notice, from alternative qualified suppliers.

Service

Service Quality. We believe that guest satisfaction and our ability to continually evaluate and improve the guest experience at each of our restaurants is important to our success. We employ a team of service coaches whose function is to provide continual, hands-on training and education to our service staff in our restaurants for the purpose of reinforcing service quality and consistency, staff attitude, team work and manage interaction in the dining room.

Guest Satisfaction. Through the use of guest surveys, our website "texasroadhouse.com," a toll-free guest response telephone line, social media, and personal interaction in the restaurant, we receive valuable feedback from guests. Additionally, we employ an outside service to administer a "Secret Shopper" program whereby trained individuals periodically dine and comprehensively evaluate the guest experience at each of our domestic restaurants. Particular attention is given to food, beverage and service quality, cleanliness, staff attitude and teamwork, and manager visibility and interaction. The resulting reports are used for follow up training and providing feedback to both staff and management. We continue to evaluate and implement processes relating to guest satisfaction, including reducing guest wait times and improving host interaction with the guest.

Atmosphere. The atmosphere of Texas Roadhouse restaurants is intended to appeal to broad segments of the population, children, families, couples, adults and business persons. Substantially all Texas Roadhouse restaurants are of our prototype design, reflecting a rustic southwestern lodge atmosphere, featuring an exterior of rough-hewn cedar siding and corrugated metal. The interiors feature pine floors and stained concrete and are decorated with hand-painted murals, neon signs, southwestern prints, rugs and artifacts. The restaurants contain jukeboxes that continuously play upbeat country hits. Guests may also view a display-baking area, where our made-from-scratch yeast rolls are prepared, and a meat cooler displaying fresh cut steaks. Guests may wait for seating in either a spacious, comfortable waiting area or a southwestern style bar. While waiting for a table, guests can enjoy complimentary roasted in-shell peanuts and upon being seated at a table, guests can enjoy made-from-scratch yeast rolls along with roasted in-shell peanuts.

People

Management and Employees. Each of our restaurants is generally staffed with one managing partner, one kitchen manager, one service manager, and, in most cases, one or more additional assistant managers and/or key hourly employees. Managing partners are single restaurant 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. We use market partners to supervise the operation of our restaurants. Generally, each market partner has supervisory responsibilities for up to 10 to 15 managing partners and their respective management teams. Market partners also assist with our site selection process and recruitment of new management teams. Through regular visits to the restaurants, the market partners facilitate adherence to all aspects of our concept, strategy and standards of quality. To further facilitate adherence to our standards of quality and to maximize uniform execution throughout the system, we employ product coaches and service coaches who regularly visit the restaurants to assist in training of both new and existing employees and to grade food and service quality. The attentive service and high quality food, which results from each restaurant having a managing partner, two to three managers and the hands-on assistance of a product coach and a service coach are critical to our success.

Training and Development. All restaurant employees are required to complete varying degrees of training before and during employment. Our detailed training program emphasizes our operating strategy, procedures and standards and is conducted individually at Texas Roadhouse restaurants and in groups in Louisville, Kentucky.

Our managing and market partners are generally required to have significant experience in the full-service restaurant industry and are generally hired at a minimum of nine to 12 months before their placement in a new or existing restaurant to allow time to fully train in all aspects of restaurant operations. All managing partners, kitchen and service managers and other management team members are required to complete a comprehensive training program of up to 20 weeks, which includes training for every position in the restaurant. Trainees are validated at pre-determined points during their training by either the market partner, product coach or service coach.

A number of our restaurants have been certified as training centers by our training department. This certification confirms that the training center adheres to established operating procedures and guidelines. Additionally, most restaurants are staffed with training coordinators responsible for ongoing daily training needs.

For new restaurant openings, a full team of designated trainers, each specializing in a specific restaurant position, is deployed to the restaurant at least ten days before opening. Formal employee training begins seven days before opening and follows a uniform, comprehensive training course as directed by a service coach.

Marketing

Our marketing strategy aims to promote the Texas Roadhouse brand while retaining a localized focus. We strive to increase comparable restaurant sales by increasing the frequency of visits by our current guests and attracting new guests to our restaurants and also by communicating and promoting our brands' food quality, the guest experience and value. We accomplish these objectives through three major initiatives.

Local Restaurant Area Marketing. Given our strategy to be a neighborhood destination, local restaurant area marketing is integral in developing brand awareness in each market. Managing partners are encouraged to participate in creative community-based marketing. We also engage in a variety of promotional activities, such as contributing time, money and complimentary meals to charitable, civic and cultural programs. We leverage the corresponding recognition in our public relations and marketing

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efforts to communicate our corporate values and mission statement to our guests. We employ marketing coordinators at the restaurant and market level to develop and execute the majority of the local marketing strategies.

In-restaurant Marketing. A significant portion of our marketing fund is spent communicating with our guests inside our restaurants through point of purchase materials. We believe special promotions such as Valentine's Day and Mother's Day drive notable repeat business. Our eight-week holiday gift card campaign is one of our most impactful promotions.

Advertising. Our restaurants do not rely on national advertising to promote the brand. Earned media on a local level is a critical part of our strategy that features our product and people. Our restaurants use a permission-based email loyalty program, as well as social media, to promote the brand and engage with our guests. Our approach to media aligns with our focus on local store marketing and community involvement.

Restaurant Franchise Arrangements

Franchise Restaurants. As of December 30, 2014, we had 21 franchisees that operated 79 Texas Roadhouse restaurants in 23 states and four foreign countries. Domestically, franchise rights are granted for specific restaurants only, as we have not granted any rights to develop a territory in the United States. Approximately 75% of our franchise restaurants are operated by 10 franchisees. No franchisee operates more than 13 restaurants.

Our standard domestic franchise agreement has a term of ten years with two renewal options for an additional five years each if certain conditions are satisfied. Our current form of domestic franchise agreement requires the franchisee to pay a royalty fee of 4.0% of gross sales. The royalty fee varies depending on when the agreements were entered into and range from 2.0% of gross sales to the current 4.0% fee. We may, at our discretion, waive or reduce the royalty fee on a temporary or permanent basis. "Gross sales" means the total selling price of all services and products related to the restaurant. Gross sales do not include:

- employee discounts or other discounts;
- tips or gratuities paid directly to employees by guests;
- any federal, state, municipal or other sales, value added or retailer's excise taxes; or
- adjustments for net returns on salable goods and discounts allowed to guests on sales.

Domestic franchisees are currently required to pay 0.3% of gross sales to a national marketing fund for the system-wide promotions and related marketing efforts. We have the ability under our agreements to increase the required marketing fund contribution up to 2.5% of gross sales. We may also charge a marketing fee of 0.5% of gross sales, which we may use for market research and to develop system-wide promotional and marketing materials. A franchisee's total required marketing contribution or spending will not be more than 3.0% of gross sales.

Our standard domestic franchise agreement gives us the right, but not the obligation, to compel a franchisee to transfer its assets to us in exchange for shares of our stock, or to convert its equity interests into shares of our stock. The amount of shares that a franchisee would receive is based on a formula that is included in the franchise agreement.

We have entered into area development agreements for the development of Texas Roadhouse restaurants in foreign countries. In 2010, we entered into an agreement for the development of restaurants in eight countries in the Middle East over ten years. In addition to the Middle East, we currently have signed franchise development agreements for the development of Texas Roadhouse restaurants in the Philippines and Taiwan. For the existing international agreements, the franchisee is

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required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. The term of the agreements may be extended. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

Any of our franchise agreements, whether domestic or international, may be terminated if the franchisee defaults in the performance of any of its obligations under the franchise agreement, including its obligations to operate the restaurant in strict accordance with our standards and specifications. A franchise agreement may also be terminated if a franchisee becomes insolvent, fails to make its required payments, creates a threat to the public health or safety, ceases to operate the restaurant, or misuses the Texas Roadhouse trademarks.

To continuously improve our communications with franchisees and the consistency of the brand, we maintain a business development advisory group that includes representatives of our domestic franchisees and company operations personnel. The group's functions are advisory. Its members review and comment on proposed advertising campaigns and materials and budget expenditures, as well as operational initiatives. Our regional market partners also provide support to our domestic franchise restaurant operators.

Franchise Compliance Assurance. We have various systems in place to promote compliance with our systems and standards, both during the development and operating of franchise restaurants. We actively work with our franchisees to support successful franchise operations as well as compliance with the Texas Roadhouse standards and procedures. During the restaurant development phase, we approve the selection of restaurant sites and make available copies of our prototype building plans to franchisees. In addition, we ensure that the building design is in compliance with our standards. We provide training to the managing partner and up to three other managers of a franchisee's first restaurant. We also provide trainers to assist in the opening of every domestic franchise restaurant; we provide trainers to assist our international franchisees in the opening of their restaurants until such time as they develop an approved restaurant opening training program. Finally, on an ongoing basis, we conduct reviews on all franchise restaurants to determine their level of effectiveness in executing our concept at a variety of operational levels. Our franchisees are required to follow the same standards and procedures regarding equipment, food purchases and food preparation as we maintain in our company restaurants. Reviews are conducted by seasoned operations teams and focus on key areas including health, safety and execution proficiency.

Management Services. We provide management services to 24 of the franchise restaurants in which we and/or our founder have an ownership interest and seven additional franchise restaurants in which neither we nor our founder have an ownership interest. Such management services include accounting, operational supervision, human resources, training, and food, beverage and equipment consulting for which we receive monthly fees of up to 2.5% of gross sales. We also make available to these restaurants certain legal services, restaurant employees and employee benefits on a pass-through cost basis. In addition, we receive a monthly fee from 15 franchise restaurants for providing payroll and accounting services.

Information Technology

All of our company-owned restaurants utilize computerized management information systems, which are designed to improve operating efficiencies, provide restaurant and Support Center management with timely access to financial and operating data and reduce administrative time and expense. With our current information systems, we have the ability to query, report and analyze this intelligent data on a daily, weekly, period, quarterly and year-to-date basis and beyond, on a

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company-wide, regional or individual restaurant basis. Together, this enables us to closely monitor sales, food and beverage costs and labor and operating expenses at each of our restaurants. We have a number of systems and reports that provide comparative information that enables both restaurant and Support Center management to supervise the financial and operational performance of our restaurants and to recognize and understand trends in the business. Our accounting department uses a standard, integrated system to prepare monthly profit and loss statements, which provides a detailed analysis of sales and costs. These monthly profit and loss statements are compared both to the restaurant-prepared reports and to prior periods. Restaurant hardware and software support for all of our restaurants is provided and coordinated from the restaurant Support Center in Louisville, Kentucky. Currently, we utilize cable, digital subscriber lines (DSL) or T-1 technology at the restaurant level, which serves as a high-speed, secure communication link between the restaurants and our Support Center as well as our credit and gift card processor. We guard against business interruption by maintaining a disaster recovery plan, which includes storing critical business information off-site, testing the disaster recovery plan and providing on-site power backup.

We accept credit cards and gift cards as payment at our restaurants. We have systems and processes in place that focus on the protection of our guests' credit card information and other private information that we are required to protect, such as our employees' personal information. Our systems have been carefully designed and configured to protect against data loss or compromise. We submit our systems to regular audit and review, including the requirements of Payment Card Industry Data Security Standards. We also periodically scan our networks to check for vulnerability.

We believe that our current systems and practice of implementing regular updates will position us well to support current needs and future growth. Information systems projects are prioritized based on strategic, financial, regulatory and other business advantage criteria.

Competition

According to the National Restaurant Association, or NRA, restaurant industry sales in 2015 will represent approximately 4% of the United States' gross domestic product. The NRA also forecasts that restaurant industry sales will reach \$709.2 billion in 2015 and will encompass approximately 1.0 million restaurants.

Competition in the restaurant industry is intense. We compete with mid-priced, full-service, casual dining restaurants primarily on the basis of taste, quality and price of the food offered, service, atmosphere, location and overall dining experience. Our competitors include a large and diverse group of restaurants that range from independent local operators to well-capitalized national restaurant chains. We also face growing competition from the supermarket industry, which offers "convenient" meals in the form of improved entrees and side dishes from the deli section. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Although we believe that we compete favorably with respect to each of the above factors, other restaurants and retail establishments compete for the same casual dining guests, quality site locations and restaurant-level employees as we do. We expect intense competition to continue in all of the areas.

Trademarks

Our registered trademarks and service marks include, among others, our trade names and our stylized logos. We have registered all of our significant marks with the United States Patent and Trademark Office. We have registered or have registrations pending for our most significant trademarks and service marks in 48 foreign jurisdictions including the European Union. To better protect our brand, we have also registered various Internet domain names. We believe that our trademarks, service

marks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts.

Government Regulation

We are subject to a variety of federal, state and local laws affecting our businesses. Each of our restaurants is subject to permitting, licensing and regulation by a number of government authorities, which may include among others, alcoholic beverage control, health and safety, nutritional menu labeling, health care, sanitation, building and fire codes, and to compliance with the applicable zoning, land use and environmental laws and regulations. Difficulties in obtaining or failure to obtain required licenses or approvals could delay or prevent the development of a new restaurant in a particular area. Additionally, difficulties or inability to retain or renew licenses, or increased compliance costs due to changed regulations, could adversely affect operations at existing restaurants.

In 2014, the sale of alcoholic beverages accounted for approximately 11% of our restaurant sales. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities, for a license or permit to sell alcoholic beverages on the premises that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations affect numerous aspects of restaurant operations, including minimum age of patrons and employees, hours of operation, advertising, training, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. The failure of a restaurant to obtain or retain liquor or food service licenses or permits would have a material adverse effect on the restaurant's operations. To reduce this risk, each company restaurant is operated in accordance with procedures intended to facilitate compliance with applicable codes and regulations.

We are subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Consistent with industry standards, we carry liquor liability coverage as part of our existing comprehensive general liability insurance as well as excess umbrella coverage.

Our restaurant operations are also subject to federal and state labor laws governing such matters as minimum and tip wage requirements, overtime pay, health benefits, unemployment tax rates, workers' compensation rates, citizenship requirements, working conditions, safety standards and hiring and employment practices. Significant numbers of our service, food preparation and other personnel are paid at rates related to the federal minimum wage (which currently is \$7.25 per hour) or federal tipped wage (which currently is \$2.13 per hour). Our employees who receive tips as part of their compensation, such as servers, are paid at or above a minimum wage rate, after giving effect to applicable tip credits. We rely on our employees to accurately disclose the full amount of their tip income, and we base our FICA tax reporting on the disclosures provided to us by such tipped employees. Numerous states in which we operate have passed legislation governing the applicable state minimum hourly and/or tipped wage. Further planned and unplanned increases in federal and/or state minimum hourly and tipped wages or state unemployment tax rates will increase our labor costs. These increases may or may not be offset by additional menu price adjustments and/or guest traffic growth.

The Patient Protection and Affordable Care Act of 2010 (the "PPACA") includes provisions requiring all Americans to obtain health care coverage in 2015. As part of these provisions, we are required to offer health insurance benefits to some of our employees that were not previously offered coverage or pay a penalty. In 2014, we offered coverage to an expanded group of hourly employees that worked a minimum of 35 hours a week which resulted in approximately \$3.0 million in higher health care benefit costs. At the beginning of 2015, we offered coverage to an expanded group of employees which included hourly employees that work a minimum of 30 hours per week. As a result of this change, we expect our health care benefit costs will be \$5.0 to \$6.0 million higher in 2015

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compared to the prior year increase. We continue to assess the ongoing impact of these provisions on our health care benefit costs particularly as it relates to the implementation of the program and the number of employees that choose to participate. While we believe that the impact of the requirement to provide health insurance benefits to employees that are more extensive than what we currently provide is manageable, the requirements could have an adverse effect on our results of operations and financial position. These increases may or may not be offset by additional menu price adjustments and/or guest traffic growth.

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are or may become subject to laws and regulations requiring disclosure of calorie, fat, trans-fat, salt and allergen content. The PPACA establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus, which specifically requires chain restaurants with 20 or more locations operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item and to provide a statement on menus and menu boards about the availability of this information. The PPACA further permits the FDA to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans-fat content. The FDA released final regulations to implement the menu labeling provision of the PPACA in November 2014 with one year compliance requirements. Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. Additionally, if consumer health regulations or consumer eating habits change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes. In addition, we cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general.

Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 ("ADA") and related state accessibility statutes. Under the ADA and related state laws, we must provide equivalent service to disabled persons and make reasonable accommodation for their employment. In addition, when constructing or undertaking significant remodeling of our restaurants, we must make those facilities accessible.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information.

See Item 1A "Risk Factors" below for a discussion of risks relating to federal, state and local regulation of our business.

Seasonality

Our business is also subject to minor seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the winter months of each year. Holidays, changes in weather, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. As a result, our quarterly operating results and comparable restaurant sales may fluctuate as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be

expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease.

Employees

As of December 30, 2014, we employed approximately 43,300 people in the company restaurants we own and operate and our corporate support center. This amount includes 508 executive and administrative personnel and 1,713 restaurant management personnel, while the remainder were hourly restaurant personnel. Many of our hourly restaurant employees work part-time. None of our employees are covered by a collective bargaining agreement.

Executive Officers of the Company

Set forth below are the name, age, position and a brief account of the business experience of each of our executive officers:

Name	Age	Position
W. Kent Taylor	59	Chairman and Chief Executive Officer
Scott M. Colosi	50	President and Chief Financial Officer
Celia P. Catlett	38	General Counsel and Corporate Secretary

W. Kent Taylor. Mr. Taylor is the founder of Texas Roadhouse and resumed his role as Chief Executive Officer in August 2011, a position he held between May 2000 and October 2004. He was named Chairman of the Company and Board in October 2004. Before his founding of our concept, Mr. Taylor founded and co-owned Buckhead Bar and Grill in Louisville, Kentucky. Mr. Taylor has over 30 years of experience in the restaurant industry.

Scott M. Colosi. Mr. Colosi was appointed President in August 2011 and has served as Chief Financial Officer since January 2015. Previously, Mr. Colosi served as our Chief Financial Officer from September 2002 to August 2011. From 1992 until September 2002, Mr. Colosi was employed by YUM! Brands, Inc., owner of KFC, Pizza Hut and Taco Bell brands. During this time, Mr. Colosi served in various financial positions and, immediately prior to joining us, was Director of Investor Relations. Mr. Colosi has over 25 years of experience in the restaurant industry.

Celia P. Catlett. Ms. Catlett was appointed General Counsel in November 2013. She joined Texas Roadhouse in 2005 and served as Associate General Counsel from 2010 until her appointment as General Counsel. She has served as Corporate Secretary since 2011. Prior to joining us, Ms. Catlett practiced law in New York City. Ms. Catlett has 14 years of legal experience, including over 9 years of experience in the restaurant industry.

Website Access to Reports

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, available, free of charge on or through the Internet website, www.texasroadhouse.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC").

ITEM 1A. RISK FACTORS

From time to time, in periodic reports and oral statements and in this Annual Report on Form 10-K, we present statements about future events and expectations that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements.

Careful consideration should be given to the risks described below. If any of the risks and uncertainties described in the cautionary factors described below actually occurs, our business, financial condition and results of operations, and the trading price of our common stock could be materially and adversely affected. Moreover, we operate in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all these factors on our business, financial condition or results of operations.

Risks Related to Our Business and Industry

If we fail to manage our growth effectively, it could harm our business.

Failure to manage our growth effectively could harm our business. We have grown significantly since our inception and intend to continue growing in the future. Our existing restaurant management systems, financial and management controls and information systems may not be adequate to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We cannot assure you that we will be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure. If we are unable to manage our growth effectively, our business and operating results could be materially adversely impacted.

You should not rely on past changes in our average unit volume or our comparable restaurant sales as an indication of our future results of operations because they may fluctuate significantly.

A number of factors have historically affected, and will continue to affect, our average unit volume and comparable restaurant sales, including, among other factors:

- consumer awareness and understanding of our brands;
- our ability to execute our business strategy effectively;
- unusually strong initial sales performance by new restaurants;
- competition, either from our competitors in the restaurant industry or our own restaurants;
- weather and acts of God;
- consumer trends;
- introduction of new menu items;
- negative publicity regarding food safety, health concerns, quality of service, and other food or beverage related matters, including the integrity of our or our suppliers' food processing; and
- general economic conditions, which can affect restaurant traffic, local labor costs and prices we pay for the food products and other supplies we use.

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Our average unit volume and comparable restaurant sales may not increase at rates achieved in the past. Changes in our average unit volume and comparable restaurant sales could cause the price of our common stock to fluctuate substantially.

Our growth strategy, which primarily depends on our ability to open new restaurants that are profitable, is subject to many factors, some of which are beyond our control.

Our objective is to grow our business and increase stockholder value by (1) expanding our base of company restaurants (and, to a lesser extent, franchise restaurants) that are profitable and (2) increasing sales and profits at existing restaurants. While both these methods of achieving our objective are important to us, historically the most significant means of achieving our objective has been through opening new restaurants and operating these restaurants on a profitable basis. We expect this to continue to be the case for the near future.

We cannot assure you that we will be able to open new restaurants in accordance with our expansion plans. We have experienced delays in opening some of our restaurants in the past and may experience delays in the future. Delays or failures in opening new restaurants could materially adversely affect our growth strategy. One of our biggest challenges in executing our growth strategy is locating and securing an adequate supply of suitable new restaurant sites. Competition for suitable restaurant sites in our target markets is intense. We cannot assure you that we will be able to find sufficient suitable locations, or suitable purchase or lease terms, for planned expansion in any future period. Our ability to open new restaurants will also depend on numerous other factors, some of which are beyond our control, including, but not limited to, the following:

- our ability to hire, train and retain qualified operating personnel, especially market partners and managing partners;
- the availability of construction materials and labor;
- our ability to control construction and development costs of new restaurants;
- our ability to secure required governmental approvals and permits in a timely manner, or at all;
- our ability to secure liquor licenses;
- general economic conditions;
- the cost and availability of capital to fund construction costs and pre-opening expenses; and
- weather and acts of God.

Once opened, we anticipate that our new restaurants will generally take several months to reach planned operating levels due to start-up inefficiencies typically associated with new restaurants. We cannot assure you that any restaurant we open will be profitable or obtain operating results similar to those of our existing restaurants. Our ability to operate new restaurants profitably will depend on numerous factors, including those discussed above impacting our average unit volume and comparable restaurant sales, some of which are beyond our control, including, but not limited to, the following:

- competition from competitors in our industry or our own restaurants;
- consumer acceptance of our restaurants in new domestic or international markets;
- the ability of the market partner and the managing partner to execute our business strategy at the new restaurant;
- general economic conditions which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- changes in government regulation;

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- road construction and other factors limiting access to the restaurant; and
- weather and acts of God.

Our failure to successfully open new restaurants that are profitable in accordance with our growth strategy could harm our business and future prospects. In addition, our inability to open new restaurants and provide growth opportunities to our employees could result in the significant loss of qualified personnel which could harm our business and future prospects.

Our objective to increase sales and profits at existing restaurants could be adversely affected by macroeconomic conditions.

During 2015 and possibly beyond, the U.S. and global economies may suffer from a downturn in economic activity. Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could adversely affect the demand for our products. As in the past, we could experience reduced guest traffic or we may be unable or unwilling to increase the prices we can charge for our products to offset higher costs or fewer transactions, either of which could reduce our sales and profit margins. Also, landlords or other tenants in the shopping centers in which some of our restaurants are located may experience difficulty as a result of macroeconomic trends or cease to operate, which could in turn negatively affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our results of operations.

Our franchisees could take actions that could harm our business.

Our franchisees are contractually obligated to operate their restaurants in accordance with Texas Roadhouse standards. We also provide training and support to franchisees. However, most franchisees are independent third parties that we do not control, and these franchisees own, operate and oversee the daily operations of their restaurants. As a result, the ultimate success and quality of any franchise restaurant rests with the franchisee. If franchisees do not successfully operate restaurants in a manner consistent with our standards, the Texas Roadhouse image and reputation could be harmed, which in turn could adversely affect our business and operating results.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to a number of factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- the timing of new restaurant openings and related expenses;
- restaurant operating costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter;
- labor availability and costs for hourly and management personnel including mandated changes in federal and/or state minimum and tip wage rates, state unemployment tax rates, or health benefits;
- profitability of our restaurants, particularly in new markets;
- changes in interest rates;
- the impact of litigation, including negative publicity;
- increases and decreases in average unit volume and comparable restaurant sales;

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- impairment of long-lived assets, including goodwill, and any loss on restaurant closures;
- general economic conditions which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- negative publicity regarding food safety, health concerns and other food and beverage related matters, including the integrity of our or our suppliers' food processing;
- negative publicity relating to the consumption of beef or other products we serve;
- changes in consumer preferences and competitive conditions;
- expansion to new domestic or international markets;
- adverse weather conditions which impact guest traffic at our restaurants;
- increases in infrastructure costs;
- adoption of new, or changes in existing, accounting policies or practices;
- fluctuations in commodity prices;
- competitive actions; and
- weather and acts of God.

Our business is also subject to minor seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the winter months of each year. Holidays, changes in weather, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. As a result, our quarterly operating results and comparable restaurant sales may fluctuate as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock could decrease.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success depends on the continued services and performance of our key management personnel. Our future performance will depend on our ability to motivate and retain these and other key officers and managers, particularly regional market partners, market partners and managing partners. Competition for these employees is intense. The loss of the services of members of our senior management team or other key officers or managers or the inability to attract additional qualified personnel as needed could materially harm our business.

Our failure or inability to enforce our trademarks or other proprietary rights could adversely affect our competitive position or the value of our brand.

We own certain common law trademark rights and a number of federal and international trademark and service mark registrations, including our trade names and logos, and proprietary rights relating to certain of our core menu offerings. We believe that our trademarks and other proprietary rights are important to our success and our competitive position. We, therefore, devote appropriate resources to the protection of our trademarks and proprietary rights. The protective actions that we take, however, may not be enough to prevent unauthorized usage or imitation by others, which could harm our image, brand or competitive position and, if we commence litigation to enforce our rights, cause us to incur significant legal fees. Our inability to register or protect our marks and other propriety rights in foreign jurisdictions could adversely affect our competitive position in international markets.

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We cannot assure you that third parties will not claim that our trademarks or menu offerings infringe upon their proprietary rights. Any such claim, whether or not it has merit, could be time-consuming, result in costly litigation, cause delays in introducing new menu items in the future or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, results of operations, financial condition or liquidity.

We may need additional capital in the future and it may not be available on acceptable terms.

The development of our business may require significant additional capital in the future to, among other things, fund our operations and growth strategy. We may rely on bank financing and also may seek access to the debt and/or equity capital markets. There can be no assurance, however, that these sources of financing will be available on terms favorable to us, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance, investor sentiment and our ability to incur additional debt in compliance with agreements governing our outstanding debt. These factors may make the timing, amount, terms and conditions of additional financings unattractive to us. If we are unable to raise additional capital, our growth could be impeded.

Our existing credit facility limits our ability to incur additional debt.

The lenders' obligation to extend credit under our amended revolving credit facility depends on our 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. If we are unable to maintain these ratios, we would be unable to obtain additional financing under this amended revolving credit facility. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the revolving credit facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 15% 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 have also entered into other loan agreements with other lenders to finance various restaurants which impose financial covenants that are less restrictive than those imposed by our existing revolving credit facility. A default under these loan agreements could result in a default under our existing revolving credit facility, which in turn would limit our ability to secure additional funds under that facility. As of December 30, 2014, we were in compliance with all of our lenders' covenants.

We may be required to record additional impairment charges in the future.

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to company-owned restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for any company-owned restaurant, the estimated undiscounted future cash flows for the restaurant are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge would be recorded equal to the difference between the carrying value and the estimated fair value.

We also review the value of our goodwill on an annual basis and when events or changes in circumstances indicate that the carrying value of goodwill or other intangible assets may exceed the fair value of such assets. The estimates of fair value are based upon the best information available as of the date of the assessment and incorporate management assumptions about expected future cash flows and contemplate other valuation measurements and techniques.

The estimates of fair value used in these analyses require the use of judgment, certain assumptions and estimates of future operating results. If actual results differ from our estimates or assumptions,

additional impairment charges may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

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

We plan to opportunistically acquire existing restaurants from our franchisees over time. Additionally, from time to time, we evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts. To successfully execute any acquisition or development strategy, we will need to identify suitable acquisition or development candidates, negotiate acceptable acquisition or development terms and obtain appropriate financing. Any acquisition or future development that we pursue, whether or not successfully completed, may involve risks, including:

- material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition or development as the restaurants are integrated into our operations;
- risks associated with entering into new domestic or international markets or conducting operations where we have no or limited prior experience;
- risks inherent in accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates, and our ability to achieve projected economic and operating synergies; and
- the diversion of management's attention from other business concerns.

Future acquisitions of existing restaurants from our franchisees or other strategic partners, which may be accomplished through a cash purchase transaction, the issuance of shares of common stock or a combination of both, could have a dilutive impact on holders of our common stock, and result in the incurrence of debt and contingent liabilities and impairment charges related to goodwill and other tangible and intangible assets, any of which could harm our business and financial condition. The development of additional concepts and/or the entrance into international markets may not be as successful as our experience in the development of the Texas Roadhouse concept domestically. Development rates for newer brands may differ significantly as there is increased risk in the development of a new restaurant concept or system.

Approximately 14% of our company-owned restaurants are located in Texas and, as a result, we are sensitive to economic and other trends and developments in that state.

As of December 30, 2014, we operated a total of 51 company-owned restaurants in Texas. As a result, we are particularly susceptible to adverse trends and economic conditions in this state, including its labor market. In addition, given our geographic concentration in this state, negative publicity regarding any of our restaurants in Texas could have a material adverse effect on our business and operations, as could other occurrences in Texas such as local strikes, energy shortages or extreme fluctuations in energy prices, droughts, earthquakes, fires or other natural disasters.

Our expansion into new domestic and/or international markets may present increased risks due to our unfamiliarity with the area.

Some of our new restaurants will be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new restaurants to be less successful than restaurants in our existing markets. An additional risk of expanding into new markets is the lack of market awareness of our brands. Restaurants opened in new markets may open at lower average weekly sales volume than restaurants opened in existing markets and may have higher restaurant-level

operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average unit volume, if at all, thereby affecting our overall profitability.

We are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

The possibility of future misstatement exists due to inherent limitations in our control systems, which could adversely affect our business.

We cannot be certain that our internal control over financial reporting and disclosure controls and procedures will prevent all possible error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake, which could have an adverse impact on our business.

Our business is affected by changes in consumer preferences and discretionary spending.

Our success depends, in part, upon the popularity of our food products. Shifts in consumer preferences away from our restaurants or cuisine, particularly beef, would harm our business. Also, our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience declines in sales during economic downturns or during periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Our success depends on our ability to compete with many food service businesses.

The restaurant industry is intensely competitive. We compete with many well-established food service companies on the basis of taste, quality and price of products offered, guest service, atmosphere, location and overall guest experience. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well-capitalized national restaurant companies. We also face competition from the supermarket industry which offers "convenient" meals in the form of improved entrees and side dishes from the deli section. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in pricing, marketing and the casual dining segment of the restaurant industry better than we can. As our competitors expand their operations, we expect competition to intensify. We also compete with other restaurant chains and other retail establishments for quality site locations and hourly employees.

Changes in food and supply costs could adversely affect our results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Any increase in food prices, particularly proteins, could adversely affect our operating results. In addition, we are susceptible to increases in food costs as a result of factors beyond our

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control, such as food supply constrictions, weather conditions, food safety concerns, product recalls, global market and trade conditions, and government regulations. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. In addition, because we provide a moderately priced product, we may not seek to or be able to pass along price increases to our guests. Also, if we adjust pricing there is no assurance that we will realize the full benefit of any adjustment due to changes in our guests' menu item selections and guest traffic.

We currently purchase the majority of our beef from four beef suppliers under annual contracts. While we maintain relationships with additional suppliers, if any of these vendors were unable to fulfill its obligations under its contracts, we could encounter supply shortages and incur higher costs to secure adequate supplies, either of which would harm our business.

The food service industry is affected by litigation and publicity concerning food quality, health and other issues, which can cause guests to avoid our restaurants and result in significant liabilities or litigation costs.

Food service businesses can be adversely affected by litigation and complaints from guests, consumer groups or government authorities resulting from food quality, illness, injury or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. Adverse publicity about these allegations may negatively affect us, regardless of whether the allegations are true, by discouraging guests from eating at our restaurants. We could also incur significant liabilities if a lawsuit or claim results in a decision against us or litigation costs regardless of the result.

Given the marked increase in the use of social media platforms and similar devices in recent years, individuals have access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on the accuracy of the content posted. Information concerning our company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our business. The harm may be immediate without affording us an opportunity for redress or correction. These factors could have a material adverse effect on our business.

Health concerns relating to the consumption of beef or other food products could affect consumer preferences and could negatively impact our results of operations.

Like other restaurant chains, consumer preferences could be affected by health concerns about the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality, illness and injury in general. In recent years there has been negative publicity concerning e-coli, hepatitis A, "mad cow," "foot-and-mouth" disease and "bird flu." The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their guests. In November 2014, the FDA published final regulations to implement the menu labeling provisions of the PPACA. Companies have one year to comply with the new regulations. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general. The labeling requirements and any negative publicity concerning any of the food products we serve may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the labeling requirements or negative publicity by changing our concept or our menu offerings or their ingredients, we may lose guests who do not prefer the new concept or products, and we may not be able to attract sufficient new guests to produce the revenue needed to make our restaurants profitable. In addition, we may have

different or additional competitors for our intended guests as a result of a change in our concept and may not be able to compete successfully against those competitors. A decrease in guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business.

Food safety and food-borne illness concerns may have an adverse effect on our business by reducing demand and increasing costs.

Food safety is a top priority, and we dedicate substantial resources to help ensure that our guests enjoy safe, quality food products. However, food-borne illnesses and food safety issues have occurred in the food industry in the past, and could occur in the future. Any report or publicity linking us to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect our brands and reputation as well as our revenues and profits. In addition, instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our sales.

Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single restaurant. We cannot assure that all food items are properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used in our restaurants. If our guests become ill from food-borne illnesses, we could be forced to temporarily close some restaurants. Furthermore, any instances of food contamination, whether or not at our restaurants, could subject us or our suppliers to a food recall.

The United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as Ebola, Avian Flu, SARS and H1N1. To the extent that a virus is food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause our guests to eat less of a product. To the extent that a virus is transmitted by human-to-human contact, our employees or guests could become infected, or could choose, or be advised or required, to avoid gathering in public places, any one of which could adversely affect our business.

Our business could be adversely affected by increased labor costs or labor shortages.

Labor is a primary component in the cost of operating our business. We devote significant resources to recruiting and training our managers and hourly employees. Increased labor costs due to competition, unionization, increased minimum and tip wage, state unemployment rates or employee benefits costs or otherwise, would adversely impact our operating expenses. The federal government and numerous states have enacted legislation resulting in tip and/or minimum wage increases as well as pre-determined future increases. We anticipate that additional legislation will be enacted in future periods. The PPACA includes provisions requiring health care coverage for all Americans in 2015. The legislation imposes implementation effective dates that began in 2010 and extend through 2020, and many of the changes require additional guidance from government agencies or federal regulations. While we believe that the impact of the requirement to provide health insurance benefits to employees that are more extensive than what we currently provide is manageable, the requirements could have an adverse effect on our results of operations and financial position. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs for goods and services supplied to us. In addition, a shortage in the labor pool or other general inflationary pressures or changes could also increase our labor costs. Our operating expenses will be adversely affected to the extent that we are not able or are unwilling to offset these costs through higher prices on our products.

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Moreover, we could suffer from significant indirect costs, including restaurant disruptions due to management or hourly labor turnover and potential delays in new restaurant openings or adverse guest reactions to inadequate guest service levels due to staff shortages. Competition for qualified employees exerts upward pressure on wages paid to attract such personnel, resulting in higher labor costs, together with greater recruitment and training expense. A shortage in the labor pool could also cause our restaurants to be required to operate with reduced staff, which could negatively impact our ability to provide adequate service levels to our guests.

In addition, our success depends on our ability to attract, motivate and retain qualified employees, including restaurant managers and staff, to keep pace with our growth strategy. If we are unable to do so, our results of operations may be adversely affected.

We may not be able to obtain and maintain licenses and permits necessary to operate our restaurants and compliance with governmental laws and regulations could adversely affect our operating results.

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals, including liquor licenses, could adversely affect our operating results. Difficulties or failure to obtain the required licenses and approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may revoke, suspend or deny renewal of our liquor licenses if they determine that our conduct violates applicable regulations.

In addition to our having to comply with these licensing requirements, various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum and tip wage requirements, overtime pay, health benefits, unemployment tax rates, workers' compensation rates, citizenship requirements and working conditions. A number of factors could adversely affect our operating results, including:

- additional government-imposed increases in minimum and/or tipped wages, overtime pay, paid leaves of absence, sick leave, and mandated health benefits;
- increased tax reporting and tax payment requirements for employees who receive gratuities;
- any failure of our employees to comply with laws and regulations governing citizenship or residency requirements resulting in disruption of our work force and adverse publicity against us;
- a reduction in the number of states that allow gratuities to be credited toward minimum wage requirements; and
- increased employee litigation including claims under federal and/or state wage and hour laws.

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

Complaints or litigation may hurt us.

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered as a result of a visit to our restaurants, or that we have problems with food quality or operations. We are also subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims, claims from franchisees and claims alleging violations of federal and state laws regarding consumer, workplace and employment matters, wage and hour claims, discrimination and similar matters, or we could become subject to class action lawsuits related to these matters in the future. The restaurant industry has also been subject to a

growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their guests. In addition, we are subject to "dram shop" statutes. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Some litigation against restaurant chains has resulted in significant judgments, including punitive damages, under dram shop statutes. Because a plaintiff may seek punitive damages, which may not be covered by insurance, this type of action could have an adverse impact on our financial condition and results of operations. Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment significantly in excess of our insurance coverage for any claims could materially adversely affect our business, results of operations, financial condition or liquidity. Further, adverse publicity resulting from these allegations may have a material adverse effect on us and our restaurants.

We rely heavily on information technology, and any material failure, weakness or interruption could prevent us from effectively operating our business.

We rely heavily on information systems, including point-of-sale processing in our restaurants, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms could result in delays in guest service and reduce efficiency in our operations. Remediation of such problems could result in significant, unplanned capital investments.

We may incur costs resulting from breaches of security related to confidential guest and/or employee information.

The nature of our business involves the receipt and storage of information about our guests and employees. Hardware, software or other applications we develop and procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems and facilities through fraud, trickery or other forms of deceiving our employees or vendors. In addition, we accept electronic payment cards for payment in our restaurants. During 2014, approximately 76% of our transactions were by credit or debit cards, and such card usage could increase. Other retailers have experienced actual or potential security breaches in which credit and debit card along with employee information may have been stolen. We may in the future become subject to claims for purportedly fraudulent transactions arising out of alleged theft of guest and/or employee information, and we may also be the subject to lawsuits or other proceedings relating to these type of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses, in excess of our insurance coverage, which could have a material adverse impact on our financial condition and results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on us and our restaurants.

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

We currently maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such damages could have a material adverse effect on our business and results of operations. In addition, we self-insure a significant portion of expected losses under our health, workers compensation, general liability, employment practices liability and property insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves

for these losses could result in materially different amounts of expense under these programs, which could have a material adverse effect on our financial condition, results of operations and liquidity.

Risks Related to Our Corporate Structure, Our Stock Ownership and Our Common Stock

Provisions in our charter documents and Delaware law may delay or prevent our acquisition by a third party.

Our certificate of incorporation and by-laws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. These provisions include, among other things, advance notice for raising business or making nominations at meetings, "blank check" preferred stock and three-year staggered terms for our Board of Directors. Blank check preferred stock enables our Board of Directors, without approval of the stockholders, to designate and issue additional series of preferred stock with such dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, as our Board of Directors may determine. The issuance of blank check preferred stock may adversely affect the voting and other rights of the holders of our common stock as our Board of Directors may designate and issue preferred stock with terms that are senior to our common stock. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding common stock. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

The Delaware General Corporation Law prohibits us from engaging in "business combinations" with "interested shareholders" (with some exceptions) unless such transaction is approved in a prescribed manner. The existence of this provision could have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging attempts that might result in a premium over the market price for our common stock.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Properties

Our Support Center is located in Louisville, Kentucky. We occupy this facility under leases with Paragon Centre Holdings, LLC, a limited liability company in which we have a minority ownership position. As of December 30, 2014, we leased 69,342 square feet. Our leases expire between December 31, 2023 and December 31, 2030 including all applicable extensions. Of the 372 company restaurants in operation as of December 30, 2014, we owned 127 locations and leased 245 locations, as shown in the following table.

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State	Owned	Leased	Total
Alabama	3	2	5
Alaska	—	2	2
Arizona	6	7	13
Arkansas	—	3	3
California	1	2	3
Colorado	7	6	13
Connecticut	—	3	3
Delaware	1	1	2
Florida	3	13	16
Georgia	2	3	5
Idaho	1	4	5
Illinois	2	13	15
Indiana	9	6	15
Iowa	2	7	9
Kansas	2	1	3
Kentucky	4	6	10
Louisiana	1	7	8
Maine	—	3	3
Maryland	—	4	4
Massachusetts	1	7	8
Michigan	3	5	8
Minnesota	1	3	4
Mississippi	1	—	1
Missouri	2	8	10
Nebraska	1	2	3
Nevada	—	1	1
New Hampshire	2	1	3
New Jersey	—	5	5
New Mexico	1	3	4
New York	3	10	13
North Carolina	5	12	17
North Dakota	—	2	2
Ohio	12	13	25
Oklahoma	2	4	6
Oregon	—	2	2
Pennsylvania	3	17	20
Rhode Island	—	2	2
South Carolina	—	1	1
South Dakota	1	1	2
Tennessee	—	11	11
Texas	34	17	51
Utah	—	9	9
Vermont	—	1	1
Virginia	4	8	12
Washington	—	1	1
West Virginia	1	—	1
Wisconsin	4	6	10
Wyoming	2	—	2
Total	127	245	372

Additional information concerning our properties and leasing arrangements is included in note 2(p) and note 7 to the Consolidated Financial Statements appearing in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 3—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, 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. 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 4—MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol TXRH. Dividend information and the quarterly high and low sales prices of our common stock by quarter were as follows:

	High	Low	Dividends Declared
Year ended December 30, 2014			
First Quarter	\$ 27.95	\$ 22.87	\$ 0.15
Second Quarter	\$ 27.11	\$ 23.73	\$ 0.15
Third Quarter	\$ 27.93	\$ 24.51	\$ 0.15
Fourth Quarter	\$ 34.32	\$ 26.63	\$ 0.15
Year ended December 31, 2013			
First Quarter	\$ 20.17	\$ 16.42	\$ 0.12
Second Quarter	\$ 25.56	\$ 19.33	\$ 0.12
Third Quarter	\$ 26.46	\$ 22.97	\$ 0.12
Fourth Quarter	\$ 29.07	\$ 24.77	\$ 0.12

The number of holders of record of our common stock as of February 18, 2015 was 262.

On February 18, 2015, our Board of Directors authorized the payment of a cash dividend of \$0.17 per share of common stock. This payment will be distributed on April 3, 2015, to shareholders of record at the close of business on March 18, 2015. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any 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 credit facility and other contractual restrictions, or other factors deemed relevant.

As of December 30, 2014, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. The weighted-average option exercise price is for stock options only, as the restricted stock has no exercise price. See note 13 to the Consolidated Financial Statements for a description of the plans.

Plan Category	Shares to Be Issued Upon Exercise	Weighted- Average Option Exercise Price	Shares Available for Future Grants
Plans approved by stockholders(1)	1,615,054	\$ 22.52	6,243,002
Plans not approved by stockholders	—	—	—
Total	1,615,054	\$ 22.52	6,243,002

(1) See note 13 to the Consolidated Financial Statements.

Unregistered Sales of Equity Securities

There were no equity securities sold by the Company during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended, except as disclosed in the Registrant's Current Report on Form 8-K dated November 26, 2014 (File No. 000-50972).

Issuer Repurchases of Securities

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. The previous program authorized us to repurchase up to \$100.0 million of our common stock. 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.

During 2014, we paid approximately \$42.7 million to repurchase 1,675,000 shares of our common stock and we had \$85.4 million remaining under our authorized stock repurchase program as of December 30, 2014.

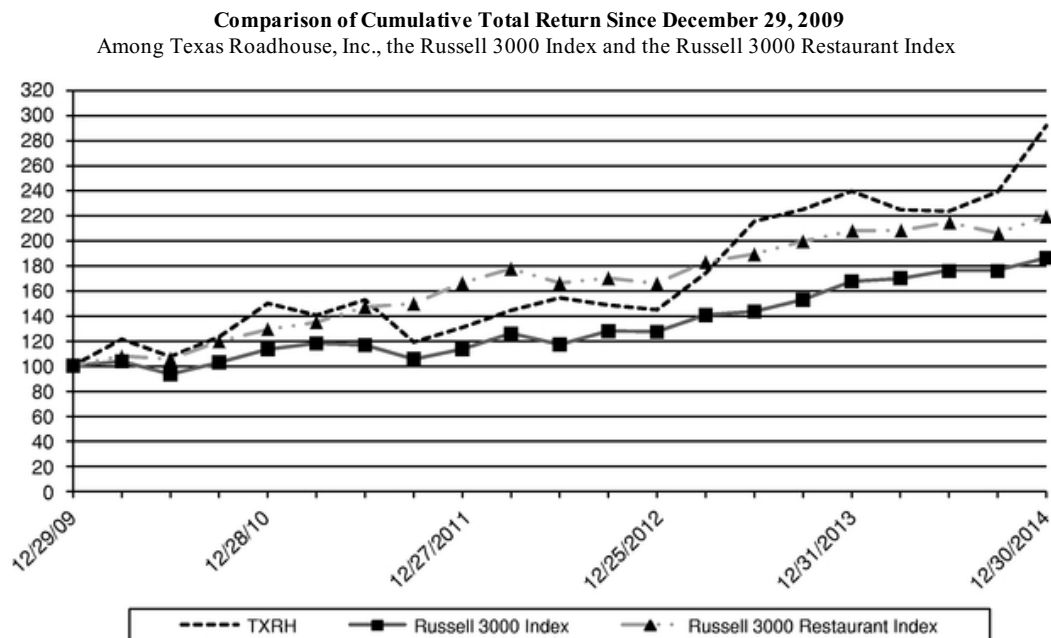
Since commencing our repurchase program in 2008, we have repurchased a total of 14,408,362 shares of common stock at a total cost of \$201.0 million through December 30, 2014 under authorizations from our Board of Directors. The following table includes information regarding purchases of our common stock made by us during the 13 weeks ended December 30, 2014.

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
October 1 to October 28	100,000	\$ 27.79	100,000	\$ 85,413,112
October 29 to November 25	—	—	—	\$ 85,413,112
November 26 to December 30	—	—	—	\$ 85,413,112
Total	<u>100,000</u>		<u>100,000</u>	

Stock Performance Graph

The following graph sets forth cumulative total return experienced by holders of the Company's common stock compared to the cumulative total return of the Russell 3000 Restaurant Index and the Russell 3000 Index for the five year period ended December 30, 2014, the last trading day of our fiscal year. The graph assumes the values of the investment in our common stock and each index was \$100 on December 29, 2009 and the reinvestment of all dividends paid during the period of the securities comprising the indices.

Note: The stock price performance shown on the graph below does not indicate future performance.



	12/29/09	12/28/10	12/27/11	12/25/12	12/31/13	12/30/14
Texas Roadhouse, Inc.	\$ 100.00	\$ 149.48	\$ 130.66	\$ 145.25	\$ 240.07	\$ 291.71
Russell 3000	\$ 100.00	\$ 113.67	\$ 113.32	\$ 128.22	\$ 167.95	\$ 187.32
Russell 3000 Restaurant	\$ 100.00	\$ 130.07	\$ 166.30	\$ 165.28	\$ 209.45	\$ 219.74

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data as of and for the years 2014, 2013, 2012, 2011, and 2010 from our audited consolidated financial statements.

The Company utilizes a 52 or 53 week accounting period that ends on the last Tuesday in December. The Company utilizes a 13 or 14 week accounting period for quarterly reporting purposes. Fiscal year 2013 was 53 weeks in length while fiscal years 2014, 2012, 2011, and 2010 were 52 weeks in length. Our historical results are not necessarily indicative of our results for any future period.

	Fiscal Year				
	2014	2013	2012	2011	2010
	(in thousands, except per share data)				
Consolidated Statements of Income:					
Revenue:					
Restaurant sales	\$ 1,568,556	\$ 1,410,118	\$ 1,252,358	\$ 1,099,475	\$ 995,988
Franchise royalties and fees	13,592	12,467	10,973	9,751	9,005
Total revenue	1,582,148	1,422,585	1,263,331	1,109,226	1,004,993
Income from operations	130,449	119,715	110,458	95,239	90,617
Income before taxes	129,967	118,227	108,539	93,192	88,372
Provision for income taxes	38,990	34,140	34,738	26,765	27,683
Net income including noncontrolling interests	\$ 90,977	\$ 84,087	\$ 73,801	\$ 66,427	\$ 60,689
Less: Net income attributable to noncontrolling interests	3,955	3,664	2,631	2,463	2,400
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 87,022	\$ 80,423	\$ 71,170	\$ 63,964	\$ 58,289
Net income per common share:					
Basic	\$ 1.25	\$ 1.15	\$ 1.02	\$ 0.90	\$ 0.82
Diluted	\$ 1.23	\$ 1.13	\$ 1.00	\$ 0.88	\$ 0.80
Weighted average shares outstanding(1):					
Basic	69,719	70,089	70,026	70,829	71,432
Diluted	70,608	71,362	71,485	72,278	72,929

	Fiscal Year				
	2014	2013	2012	2011	2010
	(\$ in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 86,122	\$ 94,874	\$ 81,746	\$ 78,777	\$ 86,254
Total assets(2)	943,142	877,644	791,254	740,670	702,801
Long-term debt and obligations under capital leases, net of current maturities	50,693	50,990	51,264	61,601	51,906
Total liabilities	328,186	283,784	260,517	244,848	203,419
Noncontrolling interests	7,064	6,201	5,653	3,918	2,766
Texas Roadhouse, Inc. and subsidiaries stockholders' equity(3)	607,892	587,659	525,084	491,904	496,616
Selected Operating Data (unaudited):					
Restaurants:					
Company—Texas Roadhouse	368	345	318	291	271
Company—Bubba's 33	3	1	—	—	—
Company—Other	1	—	2	3	3
Franchise	79	74	72	72	71
Total	451	420	392	366	345
Company restaurant information:					
Store weeks	18,565	17,426	15,936	14,573	13,803
Comparable restaurant sales growth(4)	4.7%	3.4%	4.7%	4.7%	2.4%
Texas Roadhouse restaurants only:					
Comparable restaurant sales growth(4)	4.7%	3.4%	4.7%	4.8%	2.4%
Average unit volume(5)	\$ 4,355	\$ 4,186	\$ 4,085	\$ 3,917	\$ 3,730
Net cash provided by operating activities	\$ 191,713	\$ 173,836	\$ 148,046	\$ 136,419	\$ 120,056
Net cash used in investing activities	\$ (124,240)	\$ (111,248)	\$ (90,154)	\$ (79,475)	\$ (44,816)
Net cash used in financing activities	\$ (76,225)	\$ (49,460)	\$ (54,923)	\$ (64,421)	\$ (39,735)

- (1) See note 11 to the Consolidated Financial Statements.
- (2) The December 2013 balance sheet was revised to reflect the impact of adjustments to purchase price accounting related to 2013 acquisitions in accordance with generally accepted accounting principles. See note 3 to the Consolidated Financial Statements.
- (3) See note 10 to the Consolidated Financial Statements.
- (4) Comparable restaurant sales growth reflects the change in sales over the same period of the prior years for 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 later fiscal period, excluding sales from restaurants closed during the period.
- (5) Average unit volume represents the average annual restaurant sales from Texas Roadhouse company restaurants open for a full six months before the beginning of the period measured, excluding sales from restaurants closed during the period. Although 2013 contained 53 weeks, for comparative purposes, 2013 average unit volume was adjusted to a 52 week basis. Additionally, average unit volume of company-owned restaurants for 2014 and 2013 in the table above was adjusted to reflect the restaurant sales of any acquired franchise restaurants.

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

The discussion and analysis below for the Company should be read in conjunction with the consolidated financial statements and the notes to such financial statements (pages F-1 to F-34), "Forward-looking Statements" (page 3) and Risk Factors set forth in Item 1A.

Our Company

Texas Roadhouse, Inc. is a growing, moderately priced, full-service restaurant company. 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 451 restaurants in 49 states and four foreign 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 December 30, 2014, our 451 restaurants included:

- 372 "company restaurants," of which 356 were wholly-owned and 16 were majority-owned. The results of operations of company restaurants are included in our 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 consolidated statements of income and comprehensive income. Of the 372 restaurants we owned and operated at the end of 2014, we operated 368 Texas Roadhouse and three operated as Bubba's 33.
- 79 "franchise restaurants," 23 of which we have a 5.0% to 10.0% ownership interest. 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 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. All of the franchise restaurants operated as Texas Roadhouse restaurants.

We have contractual arrangements which grant us the right to acquire at pre-determined formulas (i) the remaining equity interests in 14 of the 16 majority-owned company restaurants and (ii) 66 of the franchise restaurants.

Presentation of Financial and Operating Data

We operate on a fiscal year that ends on the last Tuesday in December. Fiscal year 2013 was 53 weeks in length and, as such, the fourth quarter of fiscal 2013 was 14 weeks in length. Fiscal years 2014 and 2012 were 52 weeks in length, while the quarters for those years were 13 weeks in length.

Long-term Strategies to Grow Earnings Per Share

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 and Bubba's 33 restaurants in existing markets and in 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 and 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. Our average capital investment for Texas Roadhouse restaurants

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opened during 2014, including pre-opening expenses and a capitalized rent factor, was \$5.1 million, which is higher than our average capital investment in 2013 of \$4.1 million. The increase in our 2014 average capital investment was primarily due to higher building costs at certain locations, such as Anchorage, Alaska and the New York City, NY vicinity, along with higher pre-opening costs due to unexpected delays in restaurant openings throughout the year. Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of any required site work, type of construction labor (union or non-union), local permitting requirements, our ability to negotiate with landlords, cost of liquor and other licenses and hook-up fees and geographical location. We expect our average capital investment for Texas Roadhouse restaurants to be open in 2015 to be approximately \$4.7 million. 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 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 development agreement in 2010 for the development of Texas Roadhouse restaurants in eight countries in the Middle East over a ten year period, of which seven restaurants are currently open. In addition to the Middle East, we currently have signed franchise development agreements for the development of Texas Roadhouse restaurants in the Philippines and Taiwan. We currently have two restaurants open in Taiwan. Additionally, in 2010, we entered into a joint venture agreement with a casual dining restaurant operator in China for minority ownership in four non-Texas Roadhouse restaurants, all of which are currently open. We continue to explore opportunities in other countries for international expansion. We may also look to acquire domestic franchise restaurants under terms favorable to the Company and our stockholders.

Additionally, from time to time, we will evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts. We currently plan to open 25 to 30 restaurants in 2015 including as many as five Bubba's 33 restaurants. In addition, we anticipate our existing franchise partners will open as many as four to six, primarily international, Texas Roadhouse restaurants in 2015.

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 impacts 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 margins, as a percentage of sales, in any given year, depending on the level of inflation we experience. In addition to restaurant margin, as a percentage of sales, we also focus on restaurant margin dollar 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, international 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 leverage our infrastructure in future years will

depend, in part, on our new restaurant openings, our comparable restaurant sales growth rate going forward and the level of investment we continue to make in our infrastructure.

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. We have consistently grown our per share dividend each year since that time and our long-term strategy includes increasing our regular quarterly dividend amount over time. On February 18, 2015, our Board of Directors declared a quarterly dividend of \$0.17 per share of common stock. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any 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 credit facility and other contractual restrictions, or other factors deemed relevant.

In 2008, our Board of Directors approved our first stock repurchase program. Since then, we have paid \$201.0 million through our authorized stock repurchase programs to repurchase 14,408,362 shares of our common stock at an average price per share of \$13.95. On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. The previous program authorized us to repurchase up to \$100.0 million of our common stock. All repurchases to date have been made through open market transactions. As of December 30, 2014, \$85.4 million remains authorized for repurchase. Our long term strategy includes repurchasing shares of our common stock to at least offset the dilutive impact of our shared-based compensation programs. Beyond that, we will be opportunistic in repurchasing shares of our common stock.

Key Operating Personnel

Key personnel who have a significant impact on the performance of our restaurants include managing and market partners. Each company restaurant has one managing partner who serves as the general manager. Market partners can provide supervisory services for up to 10 to 15 managing partners and their respective management teams. Market partners are also responsible for the hiring and development of each restaurant's management team and assist in the new restaurant site selection process. The managing partner of each company restaurant and their corresponding market partners are required, as a condition of employment, to sign a multi-year employment agreement. The annual compensation of our managing and market partners includes a base salary plus a percentage of the pre-tax net income of the restaurant(s) they operate or supervise. Managing and market partners are eligible to participate in our equity incentive plan and, as a general rule, are required to make deposits of \$25,000 and \$50,000, respectively. Generally, the deposits are refunded after five years of service.

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.

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Comparable Restaurant Sales Growth. Comparable restaurant sales growth reflects the change in sales over the same period of the prior years for 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 later fiscal 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 annual restaurant sales for company-owned 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 volume 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 volume 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 Margins. Restaurant margins represent 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 margins, as a percentage of restaurant sales, may fluctuate based on inflationary pressures, commodity costs and wage rates. As such, 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-owned 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 consolidated statements of income and other 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 agreement, paid to us by our domestic franchisees. In addition, we include royalties and fees paid to us by our international franchisee. The terms of the international agreements may vary significantly from our domestic agreements.

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 managing partners. 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.

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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, local store advertising, repairs and maintenance, equipment rent, property taxes, credit card and gift card fees, gift card breakage income and general liability insurance. Profit sharing incentive compensation expenses earned by our restaurant 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. On average, over 50% of total pre-opening costs incurred per restaurant opening relate to the hiring and training of employees. Pre-opening costs vary by location depending on a number of factors, including the size and physical layout of each location; the number of management and hourly employees required to operate each restaurant; the availability of qualified restaurant staff members; the cost of travel and lodging for different geographic areas; the timing of the restaurant opening; and the extent of unexpected delays, if any, in obtaining final licenses and permits to open the restaurants.

Depreciation and Amortization Expenses. Depreciation and amortization expenses ("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.

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 including the net amount of advertising costs incurred less amounts remitted by company and franchise restaurants. Supervision and accounting fees received from certain franchise restaurants and license 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. The realized and unrealized holding gains and losses related to the investments in our deferred compensation plan, as well as offsetting compensation expense, are also recorded in G&A.

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 December 30, 2014, December 31, 2013 and December 25, 2012, we owned a 5.0% to 10.0% equity interest in 23 franchise restaurants. While we exercise significant control over these Texas Roadhouse 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/or cash flows. Additionally, as of December 30, 2014 and December 31, 2013, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. Equity income from

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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 restaurants. Our consolidated subsidiaries at December 30, 2014 included 16 majority-owned restaurants, all of which were open. Our consolidated subsidiaries at December 31, 2013, and December 25, 2012 included 15 majority-owned restaurants, 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					
	Fiscal Year					
	2014		2013		2012	
	\$	%	\$	%	\$	%
(in thousands)						
Consolidated Statements of Income:						
Revenue:						
Restaurant sales	1,568,556	99.1	1,410,118	99.1	1,252,358	99.1
Franchise royalties and fees	13,592	0.9	12,467	0.9	10,973	0.9
Total revenue	1,582,148	100.0	1,422,585	100.0	1,263,331	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	553,144	35.3	492,306	34.9	423,615	33.8
Labor	459,119	29.3	411,394	29.2	367,763	29.4
Rent	33,174	2.1	28,978	2.1	25,797	2.1
Other operating	246,339	15.7	224,882	15.9	204,318	16.3
<i>(As a percentage of total revenue)</i>						
Pre-opening	18,452	1.2	17,891	1.3	12,399	1.0
Depreciation and amortization	59,179	3.7	51,562	3.6	46,717	3.7
Impairment and closure	636	NM	399	NM	1,624	0.1
Gain on sale of other concept	—	—	(1,800)	(0.1)	—	—
General and administrative	81,656	5.2	77,258	5.4	70,640	5.6
Total costs and expenses	1,451,699	91.8	1,302,870	91.6	1,152,873	91.3
Income from operations	130,449	8.2	119,715	8.4	110,458	8.7
Interest expense, net	2,084	0.1	2,201	0.2	2,347	0.2
Equity income from investments in unconsolidated affiliates						
	(1,602)	(0.1)	(713)	(0.1)	(428)	0.0
Income before taxes	129,967	8.2	118,227	8.3	108,539	8.5
Provision for income taxes	38,990	2.5	34,140	2.4	34,738	2.7
Net income including noncontrolling interests	90,977	5.7	84,087	5.9	73,801	5.8
Net income attributable to noncontrolling interests	3,955	0.3	3,664	0.3	2,631	0.2
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	87,022	5.4	80,423	5.7	71,170	5.6

Restaurant Unit Activity

	Company	Franchise	Total
Balance at December 27, 2011	294	72	366
Openings—Texas Roadhouse	25	2	27
Acquisitions from franchisees	2	(2)	—
Closures—Other	(1)	—	(1)
Balance at December 25, 2012	320	72	392
Openings—Texas Roadhouse	25	4	29
Openings—Bubba's 33	1	—	1
Acquisitions from franchisees	2	(2)	—
Divestitures—Other	(2)	—	(2)
Balance at December 31, 2013	346	74	420
Openings—Texas Roadhouse	22	6	28
Openings—Bubba's 33	2	—	2
Openings—Other	1	—	1
Acquisitions from franchisees	1	(1)	—
Closures	—	—	—
Balance at December 30, 2014	<u>372</u>	<u>79</u>	<u>451</u>

Restaurant Sales

Restaurant sales increased by 11.2% in 2014 as compared to 2013 and increased 12.6% in 2013 as compared to 2012.

The following table summarizes certain key drivers and/or attributes of restaurant sales at company restaurants for the periods. Although 2013 contained 53 weeks, for comparative purposes, 2013 average unit volume was adjusted to a 52-week basis. Company restaurant count activity is shown in the restaurant unit activity table above.

	2014	2013	2012
Company Restaurants			
Increase in store weeks	6.5%	9.3%	9.4%
Increase in average unit volume	4.0	2.7	4.3
Other(1)	0.7	0.6	0.2
Total increase in restaurant sales	<u>11.2%</u>	<u>12.6%</u>	<u>13.9%</u>
Store weeks	18,565	17,426	15,936
Comparable restaurant sales growth	4.7%	3.4%	4.7%
Texas Roadhouse restaurants only:			
Comparable restaurant sales growth	4.7%	3.4%	4.7%
Average unit volume (in thousands)	\$ 4,355	\$ 4,186	\$ 4,085

- (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 or acquired during the period.

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The increases in restaurant sales in both 2014 and 2013 were primarily attributable to the opening of new restaurants combined with an increase in average unit volume driven by comparable restaurant sales growth. In addition, restaurant sales growth for both periods was impacted by an extra operating week in 2013 which generated \$32.0 million of restaurant sales. The extra week resulted in a 2.6% negative impact on the increase in restaurant sales in 2014 compared to 2013, while the extra week positively impacted the increase in restaurant sales in 2013 compared to 2012 by 2.5%. In the fourth quarter of 2013, we acquired two franchise restaurants and simultaneously sold two non-Texas Roadhouse restaurants resulting in a slight increase in restaurant sales in 2014. In the fourth quarter of 2012, we acquired two franchise restaurants which contributed to our restaurant sales increase in 2013.

The increases in average unit volume for 2014 compared to 2013 and for 2013 compared to 2012 were primarily driven by positive comparable restaurant sales growth, partially offset by lower year-over-year sales for newer restaurants included in our average unit volume but excluded from our comparable restaurant sales. Comparable restaurant sales growth of 4.7% in 2014 was due to a combination of an increase in our guest traffic counts of 3.2% and an increase in our per person average check of 1.5%. Comparable restaurant sales growth of 3.4% in 2013 was due to a combination of an increase in guest traffic counts of 1.0% and an increase in our per person average check of 2.4%.

The increases in our per person average check for 2014 and 2013 were primarily driven by menu price increases taken in 2014, 2013 and 2012. The following table summarizes recent average menu price increases taken as a result of inflationary pressures, primarily commodities.

	Menu Price Increases
November 2014	1.8%
December 2013	1.5%
December 2012	2.2%
Q1 2012	2.2%

In 2015, we plan to open 25 to 30 company restaurants. While the majority of our restaurant growth in 2015 will be Texas Roadhouse restaurants, we currently expect to open as many as five Bubba's 33 restaurants in 2015. We have either begun construction or have sites under contract for purchase or lease for all of our expected 2015 openings.

Franchise Royalties and Fees

Franchise royalties and fees increased by \$1.1 million or by 9.0% in 2014 as compared to 2013 and increased by \$1.5 million or by 13.6% in 2013 compared to 2012. The increases in both 2014 and 2013 were primarily attributable to the opening of new franchise restaurants and an increase in average unit volume, partially offset by the impact of franchise acquisitions. In addition, franchise royalties and fees in 2013 were higher due to the extra week in 2013. Franchise comparable restaurant sales increased 4.9% in 2014 and 4.3% in 2013 and franchise restaurant count activity is shown in the restaurant unit activity table above. In the fourth quarter of 2013, we acquired two franchise restaurants in Ohio which generated approximately \$0.3 million in franchise royalties in 2013. In the fourth quarter of 2012, we acquired two franchise restaurants in Illinois which generated approximately \$0.3 million franchise royalties in 2012.

On November 26, 2014, we acquired one franchise restaurant in Wisconsin. This acquisition did not have a significant impact on 2014 diluted earnings per share. In both 2014 and 2013, this restaurant paid us \$0.1 million in franchise royalties. We expect that the acquisition will have no significant net revenue or accretive net income impact on an on-going annual basis.

We anticipate our existing franchise partners will open as many as four international Texas Roadhouse restaurants in 2015.

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Restaurant Cost of Sales

Restaurant cost of sales, as a percentage of restaurant sales, increased to 35.3% in 2014 from 34.9% in 2013 and from 33.8% in 2012. The increases in all periods presented were primarily attributable to commodity inflation in 2014 and 2013, partially offset by menu pricing actions and the benefit of operating efficiencies associated with process improvements at the restaurant level. Commodity inflation of approximately 3.4% in 2014 and approximately 7.0% in 2013 were driven by higher food costs, primarily beef. Recent menu pricing actions are summarized in our discussion of restaurant sales above.

For 2015, we expect commodity inflation of 3.0% to 4.0%, including the impact of approximately \$1.0 million to \$2.0 million in cost savings from purchasing initiatives. We employ various purchasing and pricing contract techniques in an effort to minimize volatility, including fixed price contracts for terms of one year or less and negotiating prices with vendors with reference to fluctuating market prices.

Restaurant Labor Expenses

Restaurant labor expenses, as a percentage of restaurant sales, increased to 29.3% in 2014 from 29.2% in 2013. The increase was primarily driven by higher average wage rates and higher costs associated with restaurant cleaning and health insurance partially offset by an increase in average unit volume. In 2014, we reclassified certain restaurant cleaning costs from restaurant other operating expenses to restaurant labor expenses and, as a result, this reclassification had no impact on restaurant margin. Health insurance costs were higher by approximately \$3.0 million due to an increase in premiums, along with offering coverage to an expanded population of employees.

In 2015, we anticipate our labor costs will be pressured by inflation due to increases in minimum and tip wage rates, along with higher healthcare costs. At the beginning of 2015, as required by the Patient Protection and Affordable Care Act of 2010, we extended our health coverage to a greater number of our hourly employees. We currently estimate that this expansion will result in additional health insurance benefit costs of approximately \$5.0 million to \$6.0 million. These increases in costs may or may not be offset by additional menu price adjustments and/or guest traffic growth.

Restaurant labor expenses, as a percentage of restaurant sales, decreased to 29.2% in 2013 from 29.4% in 2012. The decrease was primarily driven by an increase in average unit volume, partially offset by higher average wage rates and labor inefficiencies associated with recently opened restaurants. The timing of restaurant openings in 2013 and 2012 led to an increase in labor inefficiencies, as a percentage of restaurant sales in 2013. Typically, restaurants open with an initial start-up period of higher than normalized sales volume and higher than normalized labor costs, as a percentage of sales.

Restaurant Rent Expense

Restaurant rent expense, as a percentage of restaurant sales, remained relatively unchanged at 2.1% in 2014 compared to 2013 and 2012. In all periods presented, the benefit from an increase in average unit volume was offset by the impact of leasing more land and buildings than we have in the past. In addition, 2013 restaurant rent expense, as a percentage of restaurant sales, benefitted from the addition of a 53rd week of sales in 2013 as rent expense is incurred on a calendar month basis.

Restaurant Other Operating Expenses

Restaurant other operating expenses, as a percentage of restaurant sales, decreased to 15.7% in 2014 from 15.9% in 2013. This decrease was primarily attributable to an increase in average unit volume and lower costs associated with liquor taxes, restaurant cleaning, and linens, partially offset by higher costs associated with gift card fees, general liability self-insurance and utility costs.

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Lower liquor taxes were a result of legislative changes in Texas which lowered our tax rate associated with liquor sales effective at the beginning of 2014. Lower restaurant cleaning costs were due to the reclassification of wages discussed above under restaurant labor, while lower linen costs were primarily driven by purchasing initiatives. Higher gift card fees were primarily due to the continued expansion of our third-party gift card program. Higher general liability insurance was driven by a \$1.3 million reduction in general liability insurance costs recorded in 2013 compared to a \$0.4 million reduction in costs recorded in 2014 due to changes in our claims development history included in our quarterly actuarial reserve estimate. Utility costs were driven by higher natural gas prices.

In 2015, we expect continued purchasing initiatives to generate approximately \$1.5 million to \$2.0 million in cost savings.

Restaurant other operating expenses, as a percentage of restaurant sales, decreased to 15.9% in 2013 from 16.3% in 2012. This decrease was primarily attributable to an increase in average unit volume and lower general liability insurance and supply costs, partially offset by higher gift card fees. Lower supply costs were primarily driven by purchasing initiatives throughout 2013, while higher gift card fees were primarily due to the continued expansion of our third-party gift card retail program.

Restaurant Pre-opening Expenses

Pre-opening expenses in 2014 increased to \$18.5 million from \$17.9 million in 2013. The increase was primarily attributable to increased spending on a per store basis mostly due to the timing of restaurant openings. While we opened one less restaurant in 2014 compared to 2013, unexpected delays in restaurant openings throughout the year resulted in higher pre-opening costs primarily related to restaurant manager compensation. Pre-opening costs will fluctuate from period to period based on the specific pre-opening costs incurred for each restaurant, the number and timing of restaurant openings and the number and timing of restaurant managers hired in 2014.

Pre-opening expenses in 2013 increased to \$17.9 million from \$12.4 million in 2012. The increase was primarily attributable to an increase in spending on a per store basis, along with an increase in the number of restaurants in the development pipeline. We opened 26 company restaurants in 2013 compared to 25 restaurant openings in 2012.

Depreciation and Amortization Expenses ("D&A")

D&A, as a percentage of revenue, increased to 3.7% in 2014 from 3.6% in 2013. The increase was primarily due to higher depreciation, as a percentage of revenue, at new restaurants, and increased investment in short-lived assets, such as equipment, along with the impact of an extra week of sales in 2013. The increase was partially offset by an increase in average unit volume and the impact of a \$0.7 million increase in expense recorded in the fourth quarter of 2013 due to shortening the estimated useful life of certain leasehold improvements.

In 2015, we expect D&A, as a percentage of revenue, to be higher than the prior year due to an increase in our capitalized costs related to restaurants opened in 2014, along with an increase in the level of reinvestment in our existing restaurants.

D&A, as a percentage of revenue, decreased to 3.6% in 2013 from 3.7% in 2012. Along with an increase in average unit volume, the decrease was primarily due to the impact of an extra week of sales in 2013 and lower depreciation expense, as a percentage of revenue, on older restaurants as depreciation expense on short-lived assets, such as equipment, has ended. The decrease was partially offset by higher depreciation, as a percentage of revenue, at new restaurants and the \$0.7 million adjustment discussed above.

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Impairment and Closure Expenses

Impairment and closure expenses were \$0.6 million, \$0.4 million and \$1.6 million in 2014, 2013 and 2012, respectively. In 2014, we recorded \$0.6 million of impairment expense associated with the goodwill related to one restaurant. In 2013, we recorded \$0.3 million of impairment expense associated with the write down of assets, primarily land and building, and ongoing closure costs related to a restaurant which closed in 2009 and subsequently sold in 2014. In addition, we recorded \$0.1 million of impairment expense associated with the write down of equipment and ongoing closure costs related to a restaurant which closed in 2012. In 2012, we recorded \$0.5 million of impairment expense associated with the goodwill and intangible asset related to one restaurant and \$0.9 million of impairment expense associated with the write down of assets, primarily land and building, related to a restaurant which was closed in 2012.

See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2014, 2013 and 2012, including the impairments of goodwill and other long-lived assets.

General and Administrative Expenses ("G&A")

G&A, as a percentage of total revenue, decreased to 5.2% in 2014 from 5.4% in 2013. The decrease was primarily attributable to an increase in average unit volume and lower costs associated with our annual managing partner conference, along with lower marketing and employee separation costs. This decrease was partially offset by higher costs due to our continued investment in our infrastructure as we continue to develop more domestic and international restaurants and the impact of the extra week in 2013. In 2014, we incurred costs of \$1.9 million related to our annual managing partner conference compared to \$3.9 million in 2013. Our annual managing partner conference costs were higher in 2013 compared to 2014 primarily due to the location of our conference in conjunction with the 20th anniversary of our first restaurant opening.

G&A, as a percentage of total revenue, decreased to 5.4% in 2013 from 5.6% in 2012. The decrease was primarily attributable to lower legal settlement charges, an increase in average unit volume and a benefit from the impact of the extra week in the fourth quarter, partially offset by higher costs related to our annual managing partner conference. In the first quarter of 2012, we recorded a pre-tax charge of \$5.0 million related to the settlement of a previously disclosed legal matter. In 2013, we incurred costs of \$3.9 million related to our annual managing partner conference compared to \$2.0 million in 2012.

Interest Expense, Net

Net interest expense remained relatively flat at \$2.1 million in 2014 compared to \$2.2 million in 2013 which was relatively flat compared to \$2.3 million in 2012.

Income Taxes

We account for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes* ("ASC 740"). Our effective tax rate increased to 30.0% in 2014 from 28.9% in 2013. The increase was primarily attributable to lower deductible incentive stock option activity, along with a decrease in certain federal tax credits. In the first quarter of 2013, the Work Opportunity Tax Credit ("WOTC"), which had expired at the end of 2011, was retrospectively reinstated. As a result, we recorded credits earned in both 2012 and 2013 in fiscal year 2013. For 2015, we expect the tax rate to be 30.0% to 31.0%.

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Our effective tax rate decreased to 28.9% in 2013 from 32.0% in 2012. The decrease in 2013 was primarily attributable the retrospective reinstatement of WOTC, a decrease in non-deductible officer's compensation and higher deductible incentive stock option activity.

Liquidity and Capital Resources

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

	Fiscal Year		
	2014	2013	2012
Net cash provided by operating activities	\$ 191,713	\$ 173,836	\$ 148,046
Net cash used in investing activities	(124,240)	(111,248)	(90,154)
Net cash used in financing activities	(76,225)	(49,460)	(54,923)
Net (decrease) increase in cash and cash equivalents	<u>\$ (8,752)</u>	<u>\$ 13,128</u>	<u>\$ 2,969</u>

Net cash provided by operating activities was \$191.7 million in 2014 compared to \$173.8 million in 2013. This increase was primarily due to an increase in net income, depreciation and amortization expense and deferred revenue related to gift cards, partially offset by other changes in working capital. The increase in net income before noncash items, particularly depreciation and amortization expense, was driven by the continued opening of new restaurants and an increase in comparable restaurant sales at existing restaurants. The increase in deferred revenue related to gift cards was primarily due to higher gift card sales.

Net cash provided by operating activities was \$173.8 million in 2013 compared to \$148.0 million in 2012. This increase was primarily due to an increase in net income, along with changes in working capital. The increase in net income was driven by the continued opening of new restaurants and an increase in comparable restaurant sales at existing restaurants, partially offset by higher food and operating costs. The changes in working capital are primarily driven by a decrease in income taxes paid, partially offset by an increase in receivables which is primarily due to an increase in amounts due from our third party gift card retailers as the program has expanded.

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 \$124.2 million in 2014 compared to \$111.2 million in 2013. The increase was primarily due to an increase in capital expenditures related to the refurbishment of existing restaurants, such as remodeling, room additions and other general maintenance, partially offset by a decrease in capital expenditures related to new restaurant openings. While our average capital investment in Texas Roadhouse restaurants opened in 2014 was \$5.1 million compared to \$4.1 million in 2013, a significant amount of capital expenditures related to 2014 openings was incurred in 2013. Capital expenditures in 2014 related to restaurant openings in future years was approximately \$16.0 million compared to approximately \$23.0 million in 2013.

Net cash used in investing activities was \$111.2 million in 2013 compared to \$90.2 million in 2012. The increase was primarily due to an increase in capital expenditures related to new restaurant openings planned in future years, partially offset by the acquisition of two franchise restaurants in 2012. We incurred approximately \$23.0 million of capital expenditures in 2013 for restaurants that were planned to open in future years as compared to approximately \$9.0 million of capital expenditures

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incurred in 2012 for restaurants to be opened in future years. In addition, the average capital investment in Texas Roadhouse restaurants opened in 2013 was slightly higher than 2012.

We require capital principally for the development of new company restaurants, the refurbishment of existing restaurants and the acquisition of franchise restaurants, if any. 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 December 30, 2014, 127 of the 372 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, the refurbishment of existing restaurants and the acquisition of franchise restaurants (in thousands):

	2014	2013	2012
New company restaurants	\$ 78,873	\$ 80,149	\$ 56,763
Refurbishment of existing restaurants(1)	46,572	31,329	30,222
Total capital expenditures	\$ 125,445	\$ 111,478	\$ 86,985
Acquisition of franchise restaurants, net of cash acquired	\$ —	\$ —	\$ 4,297
Restaurant-related repairs and maintenance expense(2)	\$ 17,926	\$ 15,865	\$ 13,843

(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 2015, we expect our capital expenditures to be approximately \$135.0 to \$145.0 million, the majority of which will relate to planned restaurant openings, including 25 to 30 restaurant openings in 2015. 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 credit facility. For 2015, 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 credit facility.

Net cash used in financing activities was \$76.2 million in 2014 compared to \$49.5 million in 2013. The increase was primarily due to an increase in spending on share repurchases along with a decrease in proceeds from the exercise of stock options. This increase was partially offset by lower dividend payments in 2014 due to the timing of the declaration and payment dates and the extra dividend declared in the fourth quarter of 2012. Dividend payments of \$31.3 million in 2014 included three quarterly payments made throughout the year, while dividend payments of \$46.9 million in 2013 included five quarterly payments made throughout the year and one extra payment relating to a special dividend declared in the fourth quarter of 2012.

Net cash used in financing activities was \$49.5 million in 2013 compared to \$54.9 million in 2012. This decrease was primarily due to lower repurchases of common stock in 2013 compared to 2012. The decrease in share repurchases, along with higher proceeds from the exercise of stock options, was partially offset by higher dividend payments due to the timing of the declaration and payment dates and the extra dividend declared in the fourth quarter of 2012. Dividend payments of \$46.9 million in 2013 included five quarterly payments made throughout the year and one extra payment relating to a

special dividend declared in the fourth quarter of 2012, while dividend payments of \$24.5 million in 2012 included four quarterly payments.

On May 22, 2014, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. The previous program authorized us to repurchase up to \$100.0 million of our common stock. 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. During 2014, we paid approximately \$42.7 million to repurchase 1,675,000 shares of our common stock and we had \$85.4 million remaining under our authorized stock repurchase program as of December 30, 2014.

We paid cash dividends of \$31.3 million in 2014. On November 20, 2014, our Board of Directors authorized the payment of a regularly quarterly cash dividend of \$0.15 per share of common stock to shareholders of record at the close of business on December 17, 2014. This payment was distributed on January 2, 2015. On February 18, 2015, our Board of Directors authorized the payment of a quarterly cash dividend of \$0.17 per share of common stock. This payment will be distributed on April 3, 2015 to shareholders of record at the close of business on March 18, 2015. The increase in the dividend per share amount reflects the increase in our regular annual dividend rate from \$0.60 per share in 2014 to \$0.68 per share in 2015. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any 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 credit facility and other contractual restrictions, or other factors deemed relevant.

We paid distributions of \$3.9 million and \$3.1 million to equity holders of 15 of our majority-owned company restaurants in both 2014 and 2013. In 2012, we paid \$2.7 million to equity holders of 14 of our majority-owned company restaurants.

On November 1, 2013, we entered into Omnibus Amendment No. 1 and Consent to Credit Agreement and Guaranty with respect to our revolving credit facility dated as of August 12, 2011 with a syndicate of commercial lenders led by JP Morgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo, N.A. The amended revolving credit facility, which has a maturity date of November 1, 2018, remains an unsecured, revolving credit agreement under which we may borrow up to \$200.0 million. The amendment provides us with the option to increase the revolving credit facility by \$200.0 million, up to \$400.0 million, subject to certain limitations.

The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at the 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 0.125% to 0.30% 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 December 30, 2014 and December 31, 2013 was 3.96%, including the impact of interest rate swaps. At December 30, 2014, we had \$50.0 million outstanding under the revolving credit facility and \$144.2 million of availability, net of \$5.8 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 15% 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 December 30, 2014.

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 one 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 the interest rate swap is JP Morgan Chase Bank, N.A. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

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 one 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 the interest rate swap is JP Morgan Chase Bank, N.A. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of December 30, 2014 (in thousands):

	Payments Due by Period			
	Total	Less than 1 year	1 - 3 Years	More than 3 - 5 Years
Long-term debt obligations	\$ 50,822	\$ 129	\$ 302	\$ 50,373
Interest(1)	3,595	1,973	1,147	475
Operating lease obligations	610,417	33,338	66,368	67,217
Capital obligations	153,204	153,204	—	—
Total contractual obligations(2)	<u>\$ 818,038</u>	<u>\$ 188,644</u>	<u>\$ 67,817</u>	<u>\$ 118,065</u>

- (1) Assumes constant rate until maturity for our fixed and variable rate debt obligations. Uses interest rates as of December 30, 2014 for our variable rate debt. Interest payments on our variable-rate revolving credit facility balance at December 30, 2014 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 December 30, 2014. Additionally, we have assumed that \$50.0 million in revolving credit facility borrowings remain outstanding after the termination of the interest rate swaps and have calculated interest payments using the weighted average interest rate of 1.03%, which was the interest rate associated with our revolving credit facility on December 30, 2014.

- (2) Unrecognized tax benefits under Accounting Standards Codification ("ASC") 740 are immaterial and, therefore, are excluded from this amount.

The Company has no material minimum purchase commitments with its vendors that extend beyond a year. See notes 4 and 7 to the Consolidated Financial Statements for details of contractual obligations.

Off-Balance Sheet Arrangements

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

Guarantees

Effective December 31, 2013, we sold two restaurants, which operated under the name Aspen Creek, located in Irving, TX and Louisville, KY. We assigned the leases associated with these restaurants to the acquirer, but remain contingently liable under the terms of the lease if the acquirer defaults. We are contingently liable for the initial term of the lease and any renewal periods. The Irving lease has an initial term that expires December 2019, along with three five-year renewals. The Louisville lease has an initial term that expires November 2023, along with three five-year renewals. The assignment of the Louisville lease releases us from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer. As the fair value of the guarantees is not considered significant, no liability has been recorded.

We entered into real estate lease agreements for five franchises, listed in the table below, 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 the lease.

	Lease Assignment Date	Initial Lease Term Expiration
Everett, Massachusetts(1)	September 2002	February 2018
Longmont, Colorado(1)	October 2003	May 2019
Montgomeryville, Pennsylvania	October 2004	June 2021
Fargo, North Dakota(1)	February 2006	July 2016
Logan, Utah	January 2009	August 2019

- (1) As discussed in note 17, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

We are contingently liable for the initial term of the lease and any renewal periods. All of the leases have three five-year renewals. As the fair value of the guarantees is not considered significant, no liability has been recorded.

As of December 30, 2014 and December 31, 2013, we are contingently liable for \$18.0 million and \$18.7 million, respectively, for the seven leases discussed above. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 30, 2014 as the likelihood of default was deemed to be less than probable.

Recent Accounting Pronouncements

Discontinued Operations

(Accounting Standards Update 2014-08, "ASU 2014-08")

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amends the requirements for reporting discontinued operations and modifies related disclosure requirements. ASU 2014-08 is effective prospectively for fiscal years beginning on or after December 15, 2014 (our 2015 fiscal year). The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Revenue Recognition

(Accounting Standards Update 2014-09, "ASU 2014-09")

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is effective for fiscal years beginning on or after December 15, 2016 (our 2017 fiscal year). Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial position, results of operations, cash flows and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Going Concern

(Accounting Standards Update 2014-15, "ASU 2014-15")

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires the management of the Company to evaluate whether there is substantial doubt about the Company's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016 (our 2017 fiscal year). While early adoption is permitted, we do not plan to early adopt this guidance. The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Consolidation

(Accounting Standards Update 2015-02, "ASU 2015-02")

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. We have not yet determined the effect, if any, of the standard on our consolidated financial position, results of operations or cash flows.

Critical Accounting Policies and Estimates

The above discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures of contingent assets and liabilities. Our significant accounting policies are described in note 2 to the accompanying

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consolidated financial statements. Critical accounting policies are those that we believe are most important to portraying our financial condition and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments or uncertainties regarding the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing the consolidated financial statements.

Impairment of Long-lived Assets. We evaluate long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, for impairment whenever events and circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below \$300,000 at the individual restaurant level signals a potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations for future sales growth. We limit assumptions about important factors such as trend of future operations and sales growth to those that are supportable based upon our plans for the restaurant and actual results at comparable restaurants. Both qualitative and quantitative information are considered when evaluating for potential impairments. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, these factors could cause us to realize a material impairment charge.

If assets are determined to be impaired, we measure the impairment charge by calculating the amount by which the asset carrying amount exceeds its fair value. The determination of asset fair value is also subject to significant judgment. We generally measure estimated fair value by independent third party appraisal. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. If these assumptions change in the future, we may be required to record impairment charges for these assets.

At December 30, 2014, we had 9 restaurants whose trailing 12-month cash flows did not meet the \$300,000 threshold. However, the future undiscounted cash flows from operating each of these restaurants over their estimated useful lives exceeded the remaining carrying value of their assets and no assets were determined to be impaired.

See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2014, 2013 and 2012, including the impairments of goodwill and other long-lived assets.

Goodwill. Goodwill is tested annually for impairment, and is tested more frequently if events and circumstances indicate that the asset might be impaired. We have assigned goodwill to the reporting unit, which we consider to be the individual restaurant level. An impairment loss is recognized to the extent that the carrying amount exceeds the implied fair value of goodwill. The determination of impairment consists of two steps. First, we determine the fair value of the reporting unit and compare it to its carrying amount. The fair value of the reporting unit may be based on several valuation approaches including capitalization of earnings, discounted cash flows, comparable public company market multiples and comparable acquisition market multiples. Second, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The implied fair

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value of goodwill is determined by allocating the fair value of the reporting unit, in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as appropriate revenue growth rates, operating margins, weighted average cost of capital, and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings or discounted cash flows method we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal value. Assumptions about important factors such as trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

At December 30, 2014, we had 65 reporting units, primarily at the restaurant level, with allocated goodwill of \$116.6 million. The average amount of goodwill associated with each reporting unit is \$1.8 million with six reporting units having goodwill in excess of \$4.0 million. In 2014, as a result of our annual goodwill impairment analysis, we recorded a goodwill impairment a charge of \$0.6 million associated with one restaurant. Based on our estimate of fair value, we are currently monitoring three restaurants with total goodwill of \$7.2 million and excess fair value over net book value of 22% for potential impairment. Since we determine the fair value of goodwill at the restaurant level, any significant decreases in cash flows at these restaurants or others could trigger an impairment charge in the future. The fair value of each of our other reporting units was substantially in excess of their respective carrying values as of the 2014 goodwill impairment test. See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2014, 2013 and 2012, including the impairments of goodwill and other long-lived assets.

Insurance Reserves. We self-insure a significant portion of expected losses under our health, workers compensation, general liability, employment practices liability and property insurance programs. We purchase insurance for individual claims that exceed the amounts listed below:

Employment practices liability	\$ 250,000
Workers compensation	\$ 350,000
General liability	\$ 250,000
Property	\$ 50,000
Employee healthcare	\$ 250,000

We record a liability for unresolved claims and for an estimate of incurred but not reported claims at the anticipated cost to us based on estimates provided by management, a third party administrator and/or an actuary. Our estimated liability is based on a number of assumptions and factors regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. We also monitor actuarial observations of historical claim development for the industry. Our assumptions are reviewed, monitored, and adjusted when warranted by changing circumstances.

Income Taxes. We account for income taxes in accordance with ASC 740 under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to

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differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

Uncertain tax positions are accounted for under FASB ASC 740. FASB ASC 740 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

Leases and Leasehold Improvements. We lease land, buildings and/or certain equipment for the majority of our restaurants under non-cancelable lease agreements. Our land and/or building leases typically have initial terms ranging from ten to 15 years, and certain renewal options for one or more five-year periods. We account for leases in accordance with ASC 840, *Leases*, and other related authoritative guidance. When determining the lease term, we include option periods for which failure to renew the lease imposes a penalty on us in such an amount that a renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might become impaired if we choose not to continue the use of the leased property.

Certain of our operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases, we recognize the related rent expense on a straight-line basis over the lease term and record the difference between the amounts charged to operations and amounts paid as deferred rent. We generally do not receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease. We may receive rent holidays, which would begin on the possession date and end when the lease commences, during which no cash rent payments are typically due under the terms of the lease. Rent holidays are included in the lease term when determining straight-line rent expense.

Additionally, certain of our operating leases contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. We recognize contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of the target is considered probable. This may result in some variability in rent expense as a percentage of revenues over the term of the lease in restaurants where we pay contingent rent.

The judgment regarding the probable term for each restaurant property lease impacts the classification and accounting for a lease as capital or operating, the rent holiday and/or escalation in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. The material factor we consider when making this judgment is the total amount invested in the restaurant at the inception of the lease and whether management believes that renewal appears reasonably assured. While a different term may produce materially different amounts of depreciation, amortization and rent expense than reported, our historical lease renewal rates support the judgments made. We have not made any changes to the nature of the assumptions used to account for leases in any of the fiscal years presented in our consolidated financial statements.

Effects of Inflation

We have not operated in a period of high general inflation for the last several years; however, we have experienced material increases in certain commodity costs, specifically beef. In addition, a significant number of our team members are paid at rates related to the federal and/or state minimum

wage and, accordingly, increases in minimum wage have increased our labor costs for the last several years. We have increased menu prices and made other adjustments over the past few years, in an effort to offset increases in our restaurant and operating costs resulting from inflation. Whether we are able and/or choose to continue to offset the effects of inflation will determine to what extent, if any, inflation affects our restaurant profitability in future periods.

ITEM 7A—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. The terms of the 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%. At December 30, 2014, we had \$50.0 million outstanding under the revolving credit facility, which bears interest at approximately 87.5 to 187.5 basis points (depending on our leverage ratios) over LIBOR. We had notes payable totaling \$0.8 million with fixed interest rates ranging from 10.46% to 10.80%.

On October 22, 2008, we entered into an interest rate swap, which started 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 one month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate on the LIBOR component of 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 one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount.

By using a derivative instrument 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 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 JP Morgan 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 certain 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 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, we may encounter supply shortages and incur higher costs to secure adequate supplies, any of which would harm our business.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

See Index to Consolidated Financial Statements at Item 15.

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

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to, and as defined in, Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of our management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 30, 2014.

Changes in internal control

During the fourth quarter of 2014, 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.

Management's Report on Internal Control over Financial Reporting

Under Section 404 of the Sarbanes-Oxley Act of 2002, our management is required to assess the effectiveness of the Company's internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company's internal control over financial reporting is effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this report. In this assessment, the Company applied criteria based on the

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"Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting. Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of December 30, 2014.

KPMG LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in the Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as of December 30, 2014 as stated in their report at F-2.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding the directors of the Company is incorporated herein by reference to the information set forth under "Election of Directors" in the Proxy Statement for the 2015 Annual Meeting of Stockholders.

Information regarding executive officers of the Company has been included in Part I of this Annual Report under the caption "Executive Officers of the Company."

Information regarding corporate governance of the Company is incorporated herein by reference to the information set forth in the Proxy Statement for the 2015 Annual Meeting of Stockholders.

ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 9, 2015.

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

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 9, 2015.

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

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 9, 2015.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 9, 2015.

PART IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Consolidated Financial Statements

<u>Description</u>	<u>Page Number in Report</u>
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 30, 2014 and December 31, 2013	F-3
Consolidated Statements of Income and Comprehensive Income for the years ended December 30, 2014, December 31, 2013 and December 25, 2012	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 30, 2014, December 31, 2013 and December 25, 2012	F-5
Consolidated Statements of Cash Flows for the years ended December 30, 2014, December 31, 2013, and December 25, 2012	F-6
Notes to Consolidated Financial Statements	F-7

2. Financial Statement Schedules

Omitted due to inapplicability or because required information is shown in the Company's Consolidated Financial Statements or notes thereto.

3. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	Form of Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
3.2	Bylaws of Registrant (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
4.1	Registration Rights Agreement, dated as of May 7, 2004, among Registrant and others (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.1*	Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Registrant (File No. 333-121241))
10.2	Form of Director and Executive Officer Indemnification Agreement (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.3	Form of Limited Partnership Agreement and Operating Agreement for certain company-managed Texas Roadhouse restaurants, including schedule of the owners of such restaurants and the aggregate interests held by directors, executive officers and 5% stockholders who are parties to such an agreement (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.4	Lease Agreement dated as of November 1999, by and between TEAS II, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.5	Lease Agreement dated as of January 10, 2005 by and between TEAS IV, Inc. and Roadhouse of Bossier City, LLC

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Exhibit No.	Description
10.6	Form of Franchise Agreement and Preliminary Agreement for a Texas Roadhouse restaurant franchise, including schedule of directors, executive officers and 5% stockholders which have entered into either agreement (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.7	Schedule of the owners of company-managed Texas Roadhouse restaurants and the interests held by directors, executive officers and 5% stockholders who are parties to Limited Partnership Agreements and Operating Agreements as of December 30, 2014 the form of which is set forth in Exhibit 10.3 of this Form 10-K
10.8	Schedule of the directors, executive officers and 5% stockholders which have entered into License Agreements, Franchise Agreements or Preliminary Agreements for a Texas Roadhouse Franchise as of December 30, 2014 the form of which is set forth in Exhibit 10.6 of this Form 10-K
10.9	Amended and Restated Credit Agreement, dated as of August 12, 2011, by and among Texas Roadhouse, Inc., the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated August 17, 2011 (File No. 000-50972))
10.10	Omnibus Amendment No. 1 and Consent to Credit Agreement and Guaranty, dated as of November 1, 2013, by and among Texas Roadhouse, Inc., the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated November 1, 2013 (File No. 000-50972))
10.11	Amended and Restated Lease Agreement (Two Paragon Centre) dated January 1, 2006 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.17 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2006) (File No. 000-50972))
10.12	First Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated December 18, 2006 between Paragon Centre Holdings LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 26, 2006) (File No. 000-50972))
10.13	Second Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated May 10, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2007) (File No. 000-50972)
10.14	Third Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated September 7, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2007) (File No. 000-50972)
10.15	Fourth Amendment dated July 22, 2009, and Fifth Amendment dated November 15, 2013, to Amended and Restated Lease Agreement (Two Paragon Centre) between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC
10.16*	Form of Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.19 of Registrant's Annual Report on Form 10-K for the year ended December 25, 2007 (File No. 000-50972))

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Exhibit No.	Description
10.17*	Form of First Amendment to Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan with non-management directors (incorporated by reference to Exhibit 10.20 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.18*	Amendment to Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.19*	Amended and Restated Employment Agreement between Registrant and G. Price Cooper, IV entered into as of January 8, 2010 (incorporated by reference to Exhibit 10.33 to Registrant's Current Report on Form 8-K dated August 18, 2011 (File No. 000-50972))
10.20*	Amended and Restated Employment Agreement between Registrant and W. Kent Taylor, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.21*	Amended and Restated Employment Agreement between Registrant and Scott M. Colosi, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.22*	Amended and Restated Employment Agreement between Registrant and Steven L. Ortiz, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.23*	Amended and Restated Employment Agreement between Registrant and G. Price Cooper, IV, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.24*	Amended and Restated Employment Agreement between Registrant and Jill Marchant, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.39 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.25*	First Amendment to Amended and Restated Employment Agreement between the Registrant and W. Kent Taylor, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.26*	First Amendment to Amended and Restated Employment Agreement between the Registrant and Scott M. Colosi, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.27*	First Amendment to Amended and Restated Employment Agreement between the Registrant and Steve L. Ortiz, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))

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Exhibit No.	Description
10.28*	First Amendment to Amended and Restated Employment Agreement between the Registrant and G. Price Cooper, IV, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.29*	First Amendment to Amended and Restated Employment Agreement between the Registrant and Jill Marchant, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.30*	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 (File No. 000-50972))
10.31*	Form of Restricted Stock Award under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.32*	Texas Roadhouse, Inc. Cash Bonus Plan for cash incentive awards granted pursuant to the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.33*	Separation Agreement and General Release, dated as of November 1, 2013, by and between Jill Marchant and Texas Roadhouse Management Corp. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated November 1, 2013 (File No. 000-50972))
10.34*	Employment Agreement between the Registrant and Celia Catlett entered into as of January 15, 2014 (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.35*	Employment Agreement between the Registrant and W. Kent Taylor, entered into as of January 8, 2015
10.36*	Employment Agreement between the Registrant and Scott M. Colosi, entered into as of January 8, 2015
10.37*	Employment Agreement between the Registrant and G. Price Cooper, IV, entered into as of January 8, 2015
10.38*	Employment Agreement between the Registrant and Celia Catlett, entered into as of January 8, 2015
10.39*	Form of Performance Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan
10.40*	Amended and Restated Form of Restricted Stock Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for officers
10.41*	Amended and Restated Form of Restricted Stock Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for non-officers
10.42*	Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended December 19, 2007 and December 31, 2008

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Exhibit No.	Description
10.43*	Third Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., effective January 1, 2010
10.44*	Member Interest Purchase Agreement dated November 26, 2014 by and among Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Roadhouse of New Berlin, LLC, Roadhouse of New Berlin Holdings, Inc., Gerard J. Hart, Jim Broyles, Zitro Partners, LTD and Steven Ortiz (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated November 26, 2014 (File 000-50972))
21.1	List of Subsidiaries
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
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	The following financial statements from the Texas Roadhouse, Inc. Annual Report on Form 10-K for the year ended December 30, 2014, filed February 27, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS ROADHOUSE, INC.

By: /s/ W. KENT TAYLOR
W. Kent Taylor
*Chairman of the Company, Chief Executive Officer,
Director*

Date: February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ W. KENT TAYLOR</u> W. Kent Taylor	Chairman of the Company, Chief Executive Officer, Director (Principal Executive Officer)	February 27, 2015
<u>/s/ SCOTT M. COLOSI</u> Scott M. Colosi	President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 27, 2015
<u>/s/ GREGORY N. MOORE</u> Gregory N. Moore	Director	February 27, 2015
<u>/s/ JAMES F. PARKER</u> James F. Parker	Director	February 27, 2015
<u>/s/ JAMES R. RAMSEY</u> James R. Ramsey	Director	February 27, 2015
<u>/s/ KATHY WIDMER</u> Kathy Widmer	Director	February 27, 2015
<u>/s/ JAMES R. ZARLEY</u> James R. Zarley	Director	February 27, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Texas Roadhouse, Inc.:

We have audited the accompanying consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries (the "Company") as of December 30, 2014 and December 31, 2013, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 30, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Roadhouse, Inc. and subsidiaries as of December 30, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 30, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Texas Roadhouse, Inc.'s internal control over financial reporting as of December 30, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Louisville, Kentucky
February 27, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Texas Roadhouse, Inc.:

We have audited the internal control over financial reporting of Texas Roadhouse, Inc. as of December 30, 2014 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Texas Roadhouse, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on Texas Roadhouse Inc.'s internal control over financial reporting based on our audit.

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

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

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

In our opinion, Texas Roadhouse, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 30, 2014, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries as of December 30, 2014 and December 31, 2013, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 30, 2014, and our report dated February 27, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Louisville, Kentucky
February 27, 2015

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 30, 2014	(As Adjusted) December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 86,122	\$ 94,874
Receivables, net of allowance for doubtful accounts of \$10 in 2014 and \$4 in 2013	34,023	25,391
Inventories, net	14,256	11,954
Prepaid income taxes	—	421
Prepaid expenses	10,552	10,250
Deferred tax assets	2,773	2,853
Total current assets	<u>147,726</u>	<u>145,743</u>
Property and equipment, net of accumulated depreciation of \$347,222 at December 30, 2014 and \$304,536 at December 31, 2013	649,637	586,212
Goodwill	116,571	117,197
Intangible assets, net	6,203	7,876
Other assets	23,005	20,616
Total assets	<u>\$ 943,142</u>	<u>\$ 877,644</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 129	\$ 243
Accounts payable	43,585	38,404
Deferred revenue—gift cards	79,462	62,723
Accrued wages	30,375	28,994
Income taxes payable	1,583	—
Accrued taxes and licenses	17,592	17,434
Dividends payable	10,443	—
Other accrued liabilities	32,802	28,054
Total current liabilities	<u>215,971</u>	<u>175,852</u>
Long-term debt, excluding current maturities	50,693	50,990
Stock option and other deposits	6,005	4,639
Deferred rent	26,964	23,742
Deferred tax liabilities	6,004	5,774
Other liabilities	22,549	22,787
Total liabilities	<u>328,186</u>	<u>283,784</u>
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, 69,628,781 and 70,352,257 shares issued and outstanding at December 30, 2014 and December 31, 2013, respectively)	70	70
Additional paid-in-capital	189,168	215,051
Retained earnings	419,436	374,190
Accumulated other comprehensive loss	(782)	(1,652)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	<u>607,892</u>	<u>587,659</u>
Noncontrolling interests	7,064	6,201
Total equity	<u>614,956</u>	<u>593,860</u>
Total liabilities and equity	<u>\$ 943,142</u>	<u>\$ 877,644</u>

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

(in thousands, except per share data)

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Revenue:			
Restaurant sales	\$ 1,568,556	\$ 1,410,118	\$ 1,252,358
Franchise royalties and fees	13,592	12,467	10,973
Total revenue	<u>1,582,148</u>	<u>1,422,585</u>	<u>1,263,331</u>
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	553,144	492,306	423,615
Labor	459,119	411,394	367,763
Rent	33,174	28,978	25,797
Other operating	246,339	224,882	204,318
Pre-opening	18,452	17,891	12,399
Depreciation and amortization	59,179	51,562	46,717
Impairment and closure	636	399	1,624
Gain on sale of other concept	—	(1,800)	—
General and administrative	81,656	77,258	70,640
Total costs and expenses	<u>1,451,699</u>	<u>1,302,870</u>	<u>1,152,873</u>
Income from operations	<u>130,449</u>	<u>119,715</u>	<u>110,458</u>
Interest expense, net	2,084	2,201	2,347
Equity income from investments in unconsolidated affiliates	<u>(1,602)</u>	<u>(713)</u>	<u>(428)</u>
Income before taxes	\$ 129,967	\$ 118,227	\$ 108,539
Provision for income taxes	38,990	34,140	34,738
Net income including noncontrolling interests	\$ 90,977	\$ 84,087	\$ 73,801
Less: Net income attributable to noncontrolling interests	3,955	3,664	2,631
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	<u>\$ 87,022</u>	<u>\$ 80,423</u>	<u>\$ 71,170</u>
Other comprehensive income, net of tax:			
Unrealized gain on derivatives, net of tax of (\$513), (\$511) and (\$84), respectively	808	809	148
Foreign currency translation adjustment, net of tax of (\$39)	62	—	—
Total other comprehensive income, net of tax	<u>870</u>	<u>809</u>	<u>148</u>
Total comprehensive income	<u>\$ 87,892</u>	<u>\$ 81,232</u>	<u>\$ 71,318</u>
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic	<u>\$ 1.25</u>	<u>\$ 1.15</u>	<u>\$ 1.02</u>
Diluted	<u>\$ 1.23</u>	<u>\$ 1.13</u>	<u>\$ 1.00</u>
Weighted average shares outstanding:			
Basic	<u>69,719</u>	<u>70,089</u>	<u>70,026</u>
Diluted	<u>70,608</u>	<u>71,362</u>	<u>71,485</u>
Cash dividends declared per share	<u>\$ 0.60</u>	<u>\$ 0.48</u>	<u>\$ 0.46</u>

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(tabular amounts in thousands, except share data)

	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 27, 2011	69,186,967	\$ 69	\$ 206,019	\$ 288,425	\$ (2,609)	\$ 491,904	\$ 3,918	\$ 495,822
Net income	—	—	—	71,170	—	71,170	2,631	73,801
Other comprehensive income	—	—	—	—	148	148	—	148
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,712)	(2,712)
Noncontrolling interests contribution	—	—	—	—	—	—	1,816	1,816
Noncontrolling interests liquidation adjustments	—	—	(368)	—	—	(368)	—	(368)
Dividends declared and paid (\$0.27 per share)	—	—	—	(18,951)	—	(18,951)	—	(18,951)
Dividends declared (\$0.19 per share)	—	—	—	(13,135)	—	(13,135)	—	(13,135)
Shares issued under stock option plan including tax effects	1,115,278	1	14,276	—	—	14,277	—	14,277
Repurchase of shares of common stock	(1,786,855)	(2)	(29,419)	—	—	(29,421)	—	(29,421)
Settlement of restricted stock units	683,614	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(221,959)	—	(3,733)	—	—	(3,733)	—	(3,733)
Share-based compensation	—	—	13,193	—	—	13,193	—	13,193
Balance, December 25, 2012	68,977,045	\$ 69	\$ 199,967	\$ 327,509	\$ (2,461)	\$ 525,084	\$ 5,653	\$ 530,737
Net income	—	—	—	80,423	—	80,423	3,664	84,087
Other comprehensive income	—	—	—	—	809	809	—	809
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,116)	(3,116)
Noncontrolling interests liquidation adjustments	—	—	36	—	—	36	—	36
Dividends declared and paid (\$0.48 per share)	—	—	—	(33,742)	—	(33,742)	—	(33,742)
Shares issued under stock option plans including tax effects	1,173,945	1	20,027	—	—	20,028	—	20,028
Repurchase of shares of common stock	(461,600)	(1)	(12,760)	—	—	(12,761)	—	(12,761)
Settlement of restricted stock units	991,446	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(328,579)	—	(6,958)	—	—	(6,958)	—	(6,958)
Share-based compensation	—	—	14,740	—	—	14,740	—	14,740
Balance, December 31, 2013	70,352,257	\$ 70	\$ 215,051	\$ 374,190	\$ (1,652)	\$ 587,659	\$ 6,201	\$ 593,860
Net income	—	—	—	87,022	—	87,022	3,955	90,977
Other comprehensive income	—	—	—	—	870	870	—	870
Noncontrolling interests contribution	—	—	—	—	—	—	764	764
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,856)	(3,856)
Noncontrolling interests liquidation adjustments	—	—	25	—	—	25	—	25
Noncontrolling interest acquisition	—	—	(653)	—	—	(653)	—	(653)
Dividends declared and paid (\$0.45 per share)	—	—	—	(31,333)	—	(31,333)	—	(31,333)
Dividends declared (\$0.15 per share)	—	—	—	(10,443)	—	(10,443)	—	(10,443)
Shares issued under stock option plans including tax effects	403,146	1	8,164	—	—	8,165	—	8,165
Issuance of shares for franchise acquisition	40,699	—	1,284	—	—	1,284	—	1,284
Repurchase of shares of common stock	(1,675,000)	(2)	(42,742)	—	—	(42,744)	—	(42,744)
Settlement of restricted stock units	766,035	1	(1)	—	—	—	—	—
Indirect repurchase of shares for minimum tax withholdings	(258,356)	—	(6,843)	—	—	(6,843)	—	(6,843)
Share-based compensation	—	—	14,883	—	—	14,883	—	14,883
Balance, December 30, 2014	69,628,781	\$ 70	\$ 189,168	\$ 419,436	\$ (782)	\$ 607,892	\$ 7,064	\$ 614,956

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Cash flows from operating activities:			
Net income including noncontrolling interests	\$ 90,977	\$ 84,087	\$ 73,801
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	59,179	51,562	46,717
Deferred income taxes	(480)	(947)	(2,166)
Loss on disposition of assets	4,987	3,794	2,805
Gain on sale of other concept	—	(1,800)	—
Impairment and closure costs	626	278	1,459
Equity income from investments in unconsolidated affiliates	(1,602)	(713)	(428)
Distributions of income received from investments in unconsolidated affiliates	541	444	429
Provision for doubtful accounts	6	86	17
Share-based compensation expense	14,883	14,740	13,193
Changes in operating working capital:			
Receivables	(8,634)	(9,063)	(4,953)
Inventories	(2,278)	(1,057)	(119)
Prepaid expenses and other current assets	(277)	(3,066)	(146)
Other assets	(1,231)	(4,720)	(2,773)
Accounts payable	5,366	5,712	1,736
Deferred revenue—gift cards	16,660	9,555	8,842
Accrued wages	1,381	3,964	1,329
Excess tax benefits from share-based compensation	(2,885)	(4,887)	(3,605)
Prepaid income taxes and income taxes payable	5,128	7,931	806
Accrued taxes and licenses	158	4,088	872
Other accrued liabilities	4,905	5,891	3,842
Deferred rent	3,222	3,453	3,035
Other liabilities	1,081	4,504	3,353
Net cash provided by operating activities	191,713	173,836	148,046
Cash flows from investing activities:			
Capital expenditures—property and equipment	(125,445)	(111,478)	(86,985)
Acquisition of franchise restaurants, net of cash acquired	—	—	(4,297)
Investment in unconsolidated affiliates	—	(1,180)	—
Proceeds from sale of other concept, net	—	1,387	—
Proceeds from sale of property and equipment, including insurance proceeds	1,205	23	1,128
Net cash used in investing activities	(124,240)	(111,248)	(90,154)
Cash flows from financing activities:			
(Repayments of) proceeds from revolving credit facility	—	—	(10,000)
Repurchase of shares of common stock	(42,744)	(12,761)	(29,421)
Proceeds from noncontrolling interest contributions and other	764	—	1,285
Payment of debt assumed, net of cash acquired, in acquisition of noncontrolling interest	(1,050)	—	—
Distributions to noncontrolling interest holders	(3,856)	(3,116)	(2,712)
Excess tax benefits from share-based compensation	2,885	4,887	3,605
Proceeds from stock option and other deposits, net	1,083	593	172
Indirect repurchase of shares for minimum tax withholdings	(6,843)	(6,958)	(3,733)
Principal payments on long-term debt and capital lease obligations	(411)	(369)	(303)
Proceeds from exercise of stock options	5,280	15,141	10,670
Dividends paid to shareholders	(31,333)	(46,877)	(24,486)
Net cash used in financing activities	(76,225)	(49,460)	(54,923)
Net (decrease) increase in cash and cash equivalents	(8,752)	13,128	2,969
Cash and cash equivalents—beginning of year	94,874	81,746	78,777
Cash and cash equivalents—end of year	\$ 86,122	\$ 94,874	\$ 81,746
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	\$ 2,374	\$ 2,400	\$ 2,478
Income taxes paid	\$ 34,342	\$ 27,156	\$ 36,096
Capital expenditures included in accounts payable	\$ 1,115	\$ 1,383	\$ 1,065
Supplemental schedule of noncash financing activities:			
Stock acquisition of noncontrolling interest in franchise restaurant	\$ 1,284	—	—

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

(1) Description of Business

The accompanying 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 52 weeks ended December 30, 2014, the 53 weeks ended December 31, 2013 and the 52 weeks ended December 25, 2012. Our wholly-owned subsidiaries include: Texas Roadhouse Holdings LLC ("Holdings"), Texas Roadhouse Development Corporation ("TRDC"), Texas Roadhouse Management Corp ("Management Corp.") and Strategic Restaurant Concepts, LLC ("Strategic Concepts"). TRI 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 December 30, 2014, we owned and operated 372 restaurants and franchised an additional 79 restaurants in 49 states and four foreign countries. Of the 451 restaurants that were operating at December 30, 2014, (i) 372 were Company-owned restaurants, 356 of which were wholly-owned and 16 of which were majority-owned and (ii) 79 were franchise restaurants, 23 of which we have 5.0% to 10.0% ownership interest.

As of December 31, 2013, we owned and operated 346 restaurants and franchised or licensed an additional 74 restaurants in 48 states and three foreign countries. Of the 420 restaurants that were operating at December 31, 2013, (i) 346 were Company-owned restaurants, 331 of which were wholly-owned and 15 of which were majority-owned and (ii) 74 were franchise restaurants, 23 of which we have 5.0% to 10.0% ownership interest.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

As of December 30, 2014 and December 31, 2013, we owned a 5.0% to 10.0% equity interest in 23 restaurants, respectively. Additionally, as of December 30, 2014 and December 31, 2013, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. The unconsolidated restaurants are accounted for using the equity method. While we exercise significant control over these Texas Roadhouse 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/or cash flows. Our investments in these unconsolidated affiliates are included in Other assets in our consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the companies whose accounts have been consolidated have been eliminated.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

(b) Fiscal Year

We utilize a 52 or 53 week accounting period that ends on the last Tuesday in December. We utilize a 13 week accounting period for quarterly reporting purposes, except in years containing 53 weeks when the fourth quarter contains 14 weeks. Fiscal years 2014 and 2012 were 52 weeks in length. Fiscal year 2013 was 53 weeks in length. In fiscal 2013, the 53rd week added approximately \$32.0 million to restaurant sales and total revenues and an estimated \$0.03 to \$0.04 to diluted earnings per share in our consolidated statements of income and comprehensive income.

(c) Cash and Cash Equivalents

We consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Book overdrafts are recorded in accounts payable and are included within operating cash flows. Cash and cash equivalents also included receivables from credit card companies, which amounted to \$7.0 million and \$7.7 million at December 30, 2014 and December 31, 2013, respectively, because the balances are settled within two to three business days.

(d) Receivables

Receivables consist principally of amounts due from retail gift card providers, certain franchise restaurants for reimbursement of labor costs, pre-opening and other expenses, and amounts due for royalty fees from franchise restaurants.

Receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience. We review our allowance for doubtful accounts quarterly. Past due balances over 120 days and a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(e) Inventories

Inventories, consisting principally of food, beverages and supplies, are valued at the lower of cost (first-in, first-out) or market.

(f) Pre-opening Expenses

Pre-opening expenses are charged to operations as incurred. These costs include opening team and training compensation and benefits, travel expenses, rent, food, beverage and other initial supplies and expenses incurred prior to a restaurant opening for business.

(g) Property and Equipment

Property and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed on property and equipment, including assets located on leased properties, over the shorter of the estimated useful lives of the related assets or the underlying lease term using the straight-line

Texas Roadhouse, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Tabular amounts in thousands, except share and per share data)****(2) Summary of Significant Accounting Policies (Continued)**

method. In some cases, assets on leased properties are depreciated over a period of time which includes both the initial term of the lease and one or more option periods. See note 2(p) for further discussion of leases and leasehold improvements. Depreciation and amortization expense as shown on our consolidated statements of income and comprehensive income is substantially all attributable to restaurant-level assets.

The estimated useful lives are:

Land improvements	10 - 25 years
Buildings and leasehold improvements	10 - 25 years
Equipment and smallwares	3 - 10 years
Furniture and fixtures	3 - 10 years

The cost of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived assets and included in Property and equipment, net.

Repairs and maintenance expense amounted to \$17.9 million, \$15.9 million and \$13.8 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

(h) Impairment of Goodwill

Goodwill represents the excess of cost over fair value of assets of businesses acquired. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, *Intangibles—Goodwill and Other* ("ASC 350"), we perform tests to assess potential impairments at the end of each fiscal year or during the year if an event or other circumstance indicates that goodwill may be impaired. Our assessment is performed at the reporting unit level, which is at the individual restaurant level. In the first step of the review process, we compare the estimated fair value of the restaurant with its carrying value, including goodwill. If the estimated fair value of the restaurant exceeds its carrying amount, no further analysis is needed. If the estimated fair value of the restaurant is less than its carrying amount, the second step of the review process requires the calculation of the implied fair value of the goodwill by allocating the estimated fair value of the restaurant to all of the assets and liabilities of the restaurant as if it had been acquired in a business combination. If the carrying value of the goodwill associated with the restaurant exceeds the implied fair value of the goodwill, an impairment loss is recognized for that excess amount.

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as judgment and assumptions about appropriate revenue growth rates, operating margins, weighted average cost of capital and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings method or discounted cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal value. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

comparable restaurants. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

In 2014 and 2012, as a result of our annual goodwill impairment analyses, we recorded goodwill impairment charges of \$0.6 million and \$0.3 million, respectively, as discussed further in note 15. In 2013, as a result of our annual goodwill impairment analysis, we determined that there was no goodwill impairment. Refer to note 6 for additional information related to goodwill and intangible assets.

(i) Other Assets

Other assets consist primarily of deferred compensation plan assets, investments in foreign operations, deposits and costs related to the issuance of debt. The debt issuance costs are being amortized to interest expense over the term of the related debt. For further discussion of the deferred compensation plan, see note 14.

(j) Impairment or Disposal of Long-lived Assets

In accordance with ASC 360-10-05, *Property, Plant and Equipment*, long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below \$300,000 at the individual restaurant level signals potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be for a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations of future sales growth. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. If the carrying amount of the restaurant exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the assets. We generally measure fair value by independent third party appraisal. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. The adjusted carrying amounts of assets to be held and used are depreciated over their remaining useful life. In 2014, as a result of our impairment analysis, we determined that there was no impairment. In 2013, we recorded \$0.2 million of impairment related to one previously closed restaurant. In 2012, as a result of our impairment analysis,

Texas Roadhouse, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Tabular amounts in thousands, except share and per share data)****(2) Summary of Significant Accounting Policies (Continued)**

we determined that the building, equipment, furniture and fixtures at one restaurant was impaired. For further discussion regarding closures and impairments recorded in 2014, 2013 and 2012, including the impairments of goodwill and other long-lived assets, refer to note 15.

(k) Insurance Reserves

We self-insure a significant portion of expected losses under our workers compensation, general liability, employment practices liability, property insurance and employee healthcare programs. We purchase insurance for individual claims that exceed the amounts listed below:

Employment practices liability	\$ 250,000
Workers compensation	\$ 350,000
General liability	\$ 250,000
Property	\$ 50,000
Employee healthcare	\$ 250,000

We record a liability for unresolved claims and for an estimate of incurred but not reported claims at our anticipated cost based on estimates provided by management, a third party administrator and/or actuary. The estimated liability is based on a number of assumptions and factors regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. Our assumptions are reviewed, monitored, and adjusted when warranted by changing circumstances.

(l) Segment Reporting

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers. The restaurants also possess similar pricing structures, resulting in similar long-term expected financial performance characteristics. As of December 30, 2014, we operated 372 restaurants, each as a single operating segment, and franchised an additional 79 restaurants. Revenue from external customers is derived principally from food and beverage sales. We do not rely on any major customers as a source of revenue.

(m) Revenue Recognition

Revenue from restaurant sales is recognized when food and beverage products are sold. Deferred revenue primarily represents our liability for gift cards that have been sold, but not yet redeemed. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue.

For some of the gift cards that were sold, the likelihood of redemption is remote. When the likelihood of a gift card's redemption is determined to be remote, we record a breakage adjustment and reduce deferred revenue by the amount never expected to be redeemed. We use historic gift card redemption patterns to determine when the likelihood of a gift card's redemption becomes remote and have determined that approximately 4% of the value of the gift cards sold by our company and our third party retailers will never be redeemed. The methodology we use to match the expected

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

redemption value of unredeemed gift cards to our historic redemption patterns is to amortize the historic breakage rates over a three year period. As a result, the amount of unredeemed gift card liability included in deferred revenue is the full value of unredeemed gift cards less the amortized portion of the breakage rates. We recorded our gift card breakage adjustment as a reduction of other operating expense in our consolidated statements of income and comprehensive income. We review and adjust our estimates on a semi-annual basis.

We franchise Texas Roadhouse restaurants. We execute franchise agreements for each franchise restaurant which sets out the terms of our arrangement with the franchisee. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. We collect ongoing royalties of 2.0% to 4.0% of sales from our domestic franchisees, along with royalties paid to us by our international franchisees. These ongoing royalties are reflected in the accompanying consolidated statements of income and comprehensive income as franchise royalties and fees. We recognize initial franchise fees as revenue after performing substantially all initial services or conditions required by the franchise agreement, which is generally upon the opening of a restaurant. We received initial franchise fees of \$0.6 million, \$0.1 million and \$0.2 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012, respectively. Continuing franchise royalties are recognized as revenue as the fees are earned. We also perform supervisory and administrative services for certain franchise restaurants for which we receive management fees, which are recognized as the services are performed. Revenue from supervisory and administrative services is recorded as a reduction of general and administrative expenses in the accompanying consolidated statements of income and comprehensive income. Total revenue from supervisory and administrative services recorded for the years ended December 30, 2014, December 31, 2013 and December 25, 2012 was approximately \$0.9 million, \$0.7 million and \$0.6 million, respectively.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the consolidated statements of income and comprehensive income.

(n) Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

(o) Advertising

We have a domestic system-wide marketing and advertising fund. We maintain control of the marketing and advertising fund and, as such, have consolidated the fund's activity for the years ended December 30, 2014, December 31, 2013 and December 25, 2012. Domestic company and franchise

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

restaurants are required to remit a designated portion of sales, currently 0.3%, to the advertising fund. These reimbursements do not exceed the costs incurred by the advertising fund throughout the year associated with various marketing programs which are developed internally by us. Therefore, the net amount of the advertising costs incurred less amounts remitted by company and franchise restaurants is included in general and administrative expense in our consolidated statements of income and comprehensive income.

Other costs related to local restaurant area marketing initiatives are included in other operating costs in our consolidated statements of income and comprehensive income. These costs and the company-owned restaurant contribution amounted to approximately \$10.8 million, \$10.1 million and \$9.1 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012, respectively.

(p) Leases and Leasehold Improvements

We lease land, buildings and/or certain equipment for the majority of our restaurants under non-cancelable lease agreements. Our land and/or building leases typically have initial terms ranging from 10 to 15 years, and certain renewal options for one or more five-year periods. We account for leases in accordance with ASC 840, *Leases*, and other related authoritative guidance. When determining the lease term, we include option periods for which failure to renew the lease imposes a penalty on us in such an amount that a renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might become impaired if we choose not to continue the use of the leased property.

Certain of our operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases, we recognize the related rent expense on a straight-line basis over the lease term and record the difference between the amounts charged to operations and amounts paid as deferred rent. We generally do not receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease. We may receive rent holidays, which would begin on the possession date and end when the lease commences, during which no cash rent payments are typically due under the terms of the lease. Rent holidays are included in the lease term when determining straight-line rent expense.

Additionally, certain of our operating leases contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. We recognize contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of the target is considered probable. This may result in some variability in rent expense as a percentage of sales over the term of the lease in restaurants where we pay contingent rent.

The judgment regarding the probable term for each restaurant property lease impacts the classification and accounting for a lease as capital or operating, the rent holiday and/or escalation in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. The material factor we consider when making this judgment is the total amount invested in the restaurant at the inception of the lease and

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

whether management believes that renewal appears reasonably assured. While a different term may produce materially different amounts of depreciation, amortization and rent expense than reported, our historical lease renewal rates support the judgments made. We have not made any changes to the nature of the assumptions used to account for leases in any of the fiscal years presented in our consolidated financial statements.

(q) Use of Estimates

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 consolidated financial statements and the reporting of revenue and expenses during the period to prepare these consolidated financial statements in conformity with 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, share-based compensation expense and income taxes. Actual results could differ from those estimates.

(r) Comprehensive Income

ASC 220, *Comprehensive Income*, establishes standards for reporting and the presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and other comprehensive income (loss) items that are excluded from net income under GAAP in the United States. Other comprehensive income (loss) consists of the effective unrealized portion of changes in fair value of cash flow hedges and foreign currency translation adjustments. The foreign currency translation adjustment included in comprehensive income on the consolidated statements of income and comprehensive income represents the unrealized impact of translating the financial statements of our foreign investment. This amount is not included in net income and would only be realized upon the disposition of the business.

(s) Fair Value of Financial Instruments

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy.

(t) Derivative Instruments and Hedging Activities

We do not use derivative instruments for trading purposes. Currently, our only free standing derivative instruments are two interest rate swap agreements.

We account for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values. The accounting for changes in the fair value of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship. Our current derivatives have been designated and qualify as cash flow hedges. For

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. There was no hedge ineffectiveness recognized during the years ended December 30, 2014, December 31, 2013 and December 25, 2012.

(u) Reclassifications

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

(v) Recent Accounting Pronouncements

Discontinued Operations

(Accounting Standards Update 2014-08, "ASU 2014-08")

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amends the requirements for reporting discontinued operations and modifies related disclosure requirements. ASU 2014-08 is effective prospectively for fiscal years beginning on or after December 15, 2014 (our 2015 fiscal year). The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Revenue Recognition

(Accounting Standards Update 2014-09, "ASU 2014-09")

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is effective for fiscal years beginning on or after December 15, 2016 (our 2017 fiscal year). Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial position, results of operations, cash flows and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Going Concern

(Accounting Standards Update 2014-15, "ASU 2014-15")

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires the management of the Company to evaluate whether there is substantial doubt about the Company's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016 (our 2017 fiscal year) and early adoption is permitted. We do not expect this standard to have an impact on our consolidated financial position, results of operations or cash flows upon adoption.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(2) Summary of Significant Accounting Policies (Continued)

Consolidation

(Accounting Standards Update 2015-02, "ASU 2015-02")

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. We have not yet determined the effect, if any, of the standard on our consolidated financial position, results of operations or cash flows.

(3) Acquisitions and Divestitures

On November 26, 2014, we acquired the remaining ownership interests in a franchise restaurant owned in part by us and certain officers or stockholders of the Company. Prior to the acquisition, we owned 5% of the franchise restaurant which we accounted for using the equity method. While we exercised significant control over the acquired restaurant prior to our acquisition of the remaining ownership interests, we did not consolidate their financial position, results of operations and/or cash flows nor recognize the noncontrolling interests as it was not material to our consolidated financial position, results of operations and/or cash flows. This acquisition is consistent with our long-term strategy to increase net income and earnings per share.

Pursuant to the purchase agreement, we issued 40,699 shares of common stock valued at \$1.3 million in exchange for the remaining ownership interests. The acquisition was accounted for as an equity transaction as defined in ASC 810, *Consolidation—Overall* ("ASC 810"). The difference between the \$1.3 million in consideration paid and the book value of the noncontrolling interest in the unconsolidated affiliate of \$0.7 million was recorded as a debit to equity. In conjunction with this acquisition, we received \$0.2 million of cash and paid off outstanding debt related to the franchise restaurant of \$1.3 million.

On December 31, 2013, we sold our Aspen Creek concept, including two restaurants, and, pursuant to the terms of the purchase agreement, we received two Texas Roadhouse franchise restaurants in Ohio and \$1.5 million in cash, for an aggregate transaction value of \$6.0 million. We recorded a \$1.8 million gain in conjunction with the sale of the Aspen Creek concept and restaurants. The acquisition of the two franchise restaurants did not have a significant net revenue or accretive impact since the restaurants were acquired on the last day of our fiscal year. The acquisition is consistent with our long-term strategy to increase net income and earnings per share.

The acquisition of the two franchise restaurants was accounted for using the purchase method as defined in ASC 805, *Business Combinations* ("ASC 805"). Based on a purchase price of \$4.5 million, \$3.7 million of goodwill was generated by the acquisition, which is not amortizable for book purposes, but is deductible for tax purposes.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(3) Acquisitions and Divestitures (Continued)

The purchase price has been allocated as follows:

	Amounts Previously Recorded(1)	Measurement Period Adjustments(2)	As Adjusted
Current assets	\$ 64	—	\$ 64
Property and equipment, net	558	19	577
Goodwill	3,013	730	3,743
Intangible asset	1,154	(749)	405
Current liabilities	(139)	—	(139)
Other liabilities	(150)	—	(150)
	<u>\$ 4,500</u>		<u>\$ 4,500</u>

(1) As previously reported in our 2013 Annual Report on Form 10-K.

(2) Measurement period adjustments were made during the 13 weeks ended April 1, 2014.

As a result of this acquisition, we recorded an intangible asset associated with reacquired franchise rights of \$0.4 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 \$0.4 million assigned to the intangible asset acquired was determined primarily using valuation methods that discount expected future cash flow to present value using estimates and assumptions determined by management. The intangible asset has a weighted-average life of approximately 2.7 years based on the remaining terms of the franchise agreements. We recorded amortization expense of relating to the intangible asset of \$0.1 million for the year ended December 30, 2014. We expect the annual expense for the next two years to average approximately \$0.1 million.

Pro forma results of operations have not been presented because the effects of the acquisitions were not material to our consolidated financial position, results of operations or cash flows.

(4) Long-term Debt

Long-term debt consisted of the following:

	December 30, 2014	December 31, 2013
Installment loans, due 2015-2020	\$ 822	\$ 1,233
Revolver	50,000	50,000
	50,822	51,233
Less current maturities	129	243
	<u>\$ 50,693</u>	<u>\$ 50,990</u>

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

(4) Long-term Debt (Continued)

Maturities of long-term debt at December 30, 2014 are as follows:

2015	\$ 129
2016	143
2017	159
2018	50,177
2019	196
Thereafter	18
	<u>\$ 50,822</u>

The weighted average interest rate for installment loans outstanding at December 30, 2014 and December 31, 2013 was 10.46% and 10.54%, respectively. The debt is secured by certain land and buildings and is subject to certain prepayment penalties.

On November 1, 2013, we entered into Omnibus Amendment No. 1 and Consent to Credit Agreement and Guaranty with respect to our revolving credit facility dated as of August 12, 2011 with a syndicate of commercial lenders led by JP Morgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo, N.A. The amended revolving credit facility, which has a maturity date of November 1, 2018, remains an unsecured, revolving credit agreement under which we may borrow up to \$200.0 million. The amendment provides us with the option to increase the revolving credit facility by \$200.0 million, up to \$400.0 million, subject to certain limitations.

The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at the 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 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for the amended revolving credit facility at both December 30, 2014 and December 31, 2013 was 3.96%, including the impact of interest rate swaps. At December 30, 2014, we had \$50.0 million outstanding under the amended revolving credit facility and \$144.2 million of availability, net of \$5.8 million of outstanding letters of credit.

The lenders' obligation to extend credit under the amended 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 amended 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 15% 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 December 30, 2014.

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

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(4) Long-term Debt (Continued)

cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our amended 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 one month LIBOR rate for a term ending on November 7, 2015, effectively resulting in a fixed rate on the LIBOR component of the \$25.0 million notional amount. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

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 amended 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 one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the LIBOR component of the \$25.0 million notional amount. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

(5) Property and Equipment, Net

Property and equipment were as follows:

	December 30, 2014	(As Adjusted) December 31, 2013
Land and improvements	\$ 105,055	\$ 100,456
Buildings and leasehold improvements	519,905	457,282
Equipment and smallwares	262,036	229,999
Furniture and fixtures	80,637	70,828
Construction in progress	20,730	25,516
Liquor licenses	8,496	6,667
	996,859	890,748
Accumulated depreciation and amortization	(347,222)	(304,536)
	<u>\$ 649,637</u>	<u>\$ 586,212</u>

The amount of interest capitalized in connection with restaurant construction was approximately \$0.7 million, \$0.5 million and \$0.4 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012, respectively.

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

(6) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill and intangible assets are as follows:

	<u>Goodwill</u>	<u>Intangible Assets</u>
Balance as of December 25, 2012	113,435	9,264
Additions	3,762	256
Amortization expense	—	(1,644)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 31, 2013 (As adjusted)	117,197	7,876
Additions	—	—
Amortization expense	—	(1,673)
Disposals and other, net	—	—
Impairment	(626)	—
Balance as of December 30, 2014	<u>116,571</u>	<u>6,203</u>

Intangible assets consist of reacquired franchise rights. The gross carrying amount and accumulated amortization of the intangible assets at December 30, 2014 were \$15.4 million and \$9.2 million, respectively. As of December 31, 2013, the gross as adjusted carrying amount and accumulated amortization of the intangible assets was \$15.4 million and \$7.5 million. We amortize reacquired franchise rights on a straight-line basis over the remaining term of the franchise operating agreements, which varies by restaurant. Amortization expense for the next five years is expected to range from \$0.8 million to \$1.5 million. In 2014, as a result of our goodwill and/or long-lived impairment analysis, we determined that goodwill related to a certain restaurant was impaired as discussed in note 14.

(7) Leases

The following is a schedule of future minimum lease payments required for operating leases that have initial or remaining non-cancellable terms in excess of one year as of December 30, 2014:

	<u>Operating Leases</u>
2015	\$ 33,338
2016	33,094
2017	33,274
2018	33,519
2019	33,698
Thereafter	443,494
Total	<u>\$ 610,417</u>

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

(7) Leases (Continued)

Rent expense for operating leases consisted of the following:

	December 30, 2014	December 31, 2013	December 25, 2012
Minimum rent—occupancy	\$ 32,288	\$ 28,191	\$ 25,110
Contingent rent	886	787	687
Rent expense, occupancy	33,174	28,978	25,797
Minimum rent—equipment and other	3,724	3,502	3,393
Rent expense	<u>\$ 36,898</u>	<u>\$ 32,480</u>	<u>\$ 29,190</u>

(8) Income Taxes

Components of our income tax (benefit) and provision for the years ended December 30, 2014, December 31, 2013 and December 25, 2012 are as follows:

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Current:			
Federal	\$ 31,176	\$ 28,648	\$ 29,286
State	7,913	6,439	7,618
Foreign	381	—	—
Total current	39,470	35,087	36,904
Deferred:			
Federal	(379)	(919)	(1,511)
State	(101)	(28)	(655)
Total deferred	(480)	(947)	(2,166)
Income tax provision	<u>\$ 38,990</u>	<u>\$ 34,140</u>	<u>\$ 34,738</u>

Our pre-tax income is substantially derived from domestic restaurants.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(8) Income Taxes (Continued)

A reconciliation of the statutory federal income tax rate to our effective tax rate for December 30, 2014, December 31, 2013 and December 25, 2012 is as follows:

	<u>December 30, 2014</u>	<u>December 31, 2013</u>	<u>December 25, 2012</u>
Tax at statutory federal rate	35.0%	35.0%	35.0%
State and local tax, net of federal benefit	3.5	3.5	3.7
FICA tip tax credit	(6.9)	(6.5)	(6.2)
Work opportunity tax credit	(1.0)	(1.7)	(0.9)
Incentive stock options	(0.2)	(0.7)	(0.2)
Nondeductible officer compensation	0.2	0.4	1.2
Net income attributable to noncontrolling interests	(1.0)	(1.1)	—
Other	0.4	—	0.2
Total	<u><u>30.0%</u></u>	<u><u>28.9%</u></u>	<u><u>32.8%</u></u>

In 2012, we deducted net income attributable to noncontrolling interests from income before taxes as shown in our consolidated statements of income and comprehensive income to determine the effective tax rate shown in the table above. The impact of including the net income attributable to noncontrolling interests would have reduced our effective tax rate to 32.0% for the year ended December 25, 2012.

Components of deferred tax assets (liabilities) are as follows:

	<u>December 30, 2014</u>	<u>December 31, 2013</u>
Deferred tax assets:		
Insurance reserves	\$ 4,577	\$ 3,876
Other reserves	715	515
Deferred rent	9,838	8,563
Share-based compensation	5,336	5,246
Deferred revenue—gift cards	5,524	3,860
Deferred compensation	5,564	4,200
Other assets and liabilities	2,972	3,311
Total deferred tax asset	<u><u>34,526</u></u>	<u><u>29,571</u></u>
Deferred tax liabilities:		
Property and equipment	(31,682)	(27,585)
Goodwill and intangibles	(4,163)	(3,304)
Other assets and liabilities	(1,912)	(1,603)
Total deferred tax liability	<u><u>(37,757)</u></u>	<u><u>(32,492)</u></u>
Net deferred tax liability	<u><u>\$ (3,231)</u></u>	<u><u>\$ (2,921)</u></u>
Current deferred tax asset	\$ 2,773	\$ 2,853
Noncurrent deferred tax liability	(6,004)	(5,774)
Net deferred tax liability	<u><u>\$ (3,231)</u></u>	<u><u>\$ (2,921)</u></u>

Texas Roadhouse, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Tabular amounts in thousands, except share and per share data)****(8) Income Taxes (Continued)**

We have not provided any valuation allowance as we believe the realization of our deferred tax assets is more likely than not.

A reconciliation of the beginning and ending liability for unrecognized tax benefits is as follows:

	Uncertain tax positions impacting tax rate
Balance at December 25, 2012	\$ 182
Additions to tax positions related to prior years	102
Reductions due to exam settlements	(112)
Balance at December 31, 2013	172
Additions to tax positions related to current year	—
Reductions due to statute expiration	(43)
Reductions due to exam settlement	(15)
Balance at December 30, 2014	\$ 114

We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. As of December 30, 2014 and December 31, 2013, the total amount of accrued penalties and interest related to uncertain tax provisions was not material.

All entities for which unrecognized tax benefits exist as of December 30, 2014 possess a December tax year-end. As a result, as of December 30, 2014, the tax years ended December 27, 2011, December 25, 2012 and December 31, 2013 remain subject to examination by all tax jurisdictions. As of December 30, 2014, no audits were in process by a tax jurisdiction that, if completed during the next twelve months, would be expected to result in a material change to our unrecognized tax benefits. Additionally, as of December 30, 2014, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 29, 2015.

(9) Preferred Stock

Our Board of Directors is authorized, without further vote or action by the holders of common stock, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. There were no shares of preferred stock outstanding at December 30, 2014 and December 31, 2013.

(10) Stockholders' Equity

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. The previous program authorized us to repurchase up to \$100.0 million of our common stock. All

Texas Roadhouse, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Tabular amounts in thousands, except share and per share data)****(10) Stockholders' Equity (Continued)**

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.

For the years ended December 30, 2014, December 31, 2013 and December 25, 2012, we paid approximately \$42.7 million, \$12.8 million and \$29.4 million to repurchase 1,675,000, 461,600 and 1,786,855 shares of our common stock, respectively.

On November 26, 2014, we issued 40,699 shares of our common stock in exchange for the remaining ownership interests in a franchise restaurant in which we previously owned 5%. See note 3 for further discussion.

(11) 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 plans as discussed in note 13.

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:

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Nonvested stock	16,740	23,520	—
Options	—	—	292,193
Total	16,740	23,520	292,193

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(11) Earnings Per Share (Continued)

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

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 87,022	\$ 80,423	\$ 71,170
Basic EPS:			
Weighted-average common shares outstanding	69,719	70,089	70,026
Basic EPS	\$ 1.25	\$ 1.15	\$ 1.02
Diluted EPS:			
Weighted-average common shares outstanding	69,719	70,089	70,026
Dilutive effect of stock options and nonvested stock	889	1,273	1,459
Shares—diluted	70,608	71,362	71,485
Diluted EPS	\$ 1.23	\$ 1.13	\$ 1.00

(12) Commitments and Contingencies

The estimated cost of completing capital project commitments at December 30, 2014 and December 31, 2013 was approximately \$153.2 million and \$65.2 million, respectively.

Effective December 31, 2013, we sold two restaurants, which operated under the name Aspen Creek, located in Irving, TX and Louisville, KY. We assigned the leases associated with these restaurants to the acquirer, but remain contingently liable under the terms of the leases if the acquirer defaults. We are contingently liable for the initial term of the lease and any renewal periods. The Irving lease has an initial term that expires December 2019, along with three five-year renewals. The Louisville lease has an initial term that expires November 2023, along with three five-year renewals. The assignment of the Louisville lease releases us from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer. As the fair value of the guarantees is not considered significant, no liability has been recorded.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(12) Commitments and Contingencies (Continued)

We entered into real estate lease agreements for five franchises, listed in the table below, 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 the lease.

	Lease Assignment Date	Initial Lease Term Expiration
Everett, Massachusetts(1)	September 2002	February 2018
Longmont, Colorado(1)	October 2003	May 2019
Montgomeryville, Pennsylvania	October 2004	June 2021
Fargo, North Dakota(1)	February 2006	July 2016
Logan, Utah	January 2009	August 2019

- (1) As discussed in note 17, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

We are contingently liable for the initial term of the lease and any renewal periods. All of the leases have three five-year renewals. As the fair value of the guarantees is not considered significant, no liability has been recorded.

As of December 30, 2014 and December 31, 2013, we are contingently liable for \$18.0 million and \$18.7 million, respectively, for the seven leases discussed above. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 30, 2014 as the likelihood of default was deemed to be less than probable.

During the year ended December 30, 2014, 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, 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. 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.

Occasionally, we are a defendant in litigation arising in the ordinary course of 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. In the opinion of management, the

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(12) Commitments and Contingencies (Continued)

ultimate disposition of these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

(13) Share-based Compensation

On May 16, 2013, our 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.

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

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Labor expense	\$ 5,523	\$ 5,439	\$ 4,570
General and administrative expense	9,360	9,301	8,623
Total share-based compensation expense	<u>\$ 14,883</u>	<u>\$ 14,740</u>	<u>\$ 13,193</u>

Share-based compensation activity by type of grant as of December 30, 2014 and changes during the period then ended is presented below.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	1,283,862	\$ 18.68		
Granted	527,965	26.74		
Forfeited	(67,668)	20.09		
Vested	(766,035)	19.20		
Outstanding at December 30, 2014	<u>978,124</u>	<u>\$ 22.52</u>	<u>0.88</u>	<u>\$ 33,041</u>

As of December 30, 2014, with respect to unvested RSUs, there was \$9.6 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.9 years. The vesting terms of the RSUs range from approximately 1.0 to 5.0 years. The total intrinsic value of RSUs

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(13) Share-based Compensation (Continued)

vested during the years ended December 30, 2014, December 31, 2013 and December 25, 2012 was \$20.4 million, \$21.3 million and \$11.6 million, respectively.

Summary Details for Share Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	1,043,438	\$ 13.77		
Granted	—	—		
Forfeited	(3,362)	15.05		
Exercised	(403,146)	13.09		
Outstanding at December 30, 2014	<u>636,930</u>	<u>\$ 14.20</u>	<u>1.74</u>	<u>\$ 12,474</u>
Exercisable at December 30, 2014	<u>636,930</u>	<u>\$ 14.20</u>	<u>1.74</u>	<u>\$ 12,474</u>

No stock options were granted during the fiscal years ended December 30, 2014, December 31, 2013 and December 25, 2012.

The total intrinsic value of options exercised during the years ended December 30, 2014, December 31, 2013 and December 25, 2012 was \$6.1 million, \$11.2 million and \$8.7 million, respectively. No stock options vested during the years ended December 30, 2014 and December 31, 2013, respectively. The total grant date fair value of stock options vested during the year ended December 25, 2012 was \$0.2 million, respectively.

For the years ended December 30, 2014, December 31, 2013 and December 25, 2012, cash received before tax withholdings from options exercised was \$5.3 million, \$15.1 million and \$10.7 million, respectively. The excess tax benefit realized from tax deductions associated with options exercised for the years ended December 30, 2014, December 31, 2013 and December 25, 2012 was \$2.9 million, \$4.9 million and \$3.6 million, respectively.

(14) Fair Value Measurement

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 year ended December 30, 2014.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(14) Fair Value Measurement (Continued)

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

	Level	Fair Value Measurements	
		December 30, 2014	December 31, 2013
Interest rate swaps	2	\$ (1,375)	\$ (2,696)
Deferred compensation plan—assets	1	14,963	11,916
Deferred compensation plan—liabilities	1	(14,974)	(11,913)

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 16 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 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 consolidated statements of income and comprehensive income.

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

	Level	Fair Value Measurements		Total losses	
		December 30, 2014	December 31, 2013	52 Weeks Ended December 30, 2014	53 Weeks Ended December 31, 2013
Long-lived assets	2	\$ —	\$ 1,203	\$ 15	\$ 195
Goodwill	3	—	—	626	—

Long-lived assets included land and building related to a previously closed restaurant which was sold for a purchase price of \$1.2 million, net of closing costs, during the 13 weeks ended July 1, 2014. At December 31, 2013, these assets were valued using Level 2 inputs, primarily broker estimates of sales price based on offers on the property, and included cost to market and/or sell the assets.

The loss on goodwill in the table above relates to one underperforming restaurant in which the carrying value of the associated goodwill was reduced to zero based on their historical results and future trends of operations. We determined the fair value of the underperforming restaurant using unobservable inputs, including sales projections and present value techniques. This charge is included in Impairment and closure costs in our consolidated statements of income and comprehensive income. For further discussion of impairment charges, see note 15.

Texas Roadhouse, Inc. and Subsidiaries**Notes to Consolidated Financial Statements (Continued)****(Tabular amounts in thousands, except share and per share data)****(14) Fair Value Measurement (Continued)**

At December 30, 2014 and December 31, 2013, 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 amended revolving credit facility at December 30, 2014 and December 31, 2013 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:

	December 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Installment loans—Level 2	\$ 822	\$ 955	\$ 1,233	\$ 1,434

(15) Impairment and Closure Costs

We recorded impairment charges of \$0.6 million, \$0.4 million and \$1.6 million for the years ended December 30, 2014, December 31, 2013, and December 25, 2012, respectively, related to goodwill and/or long-lived assets. These charges were measured and recognized following current accounting guidance which requires that the carrying value of these assets be tested for impairment whenever circumstances indicate that impairment may exist, or at least annually in the case of goodwill. Refer to note 2 for further discussion of the methodology used by us to test for long-lived asset and goodwill impairment.

Impairment charges in 2014 included \$0.6 million associated with the impairment of goodwill related to one restaurant. The goodwill impairment charges in 2014 resulted from our annual testing which relies, in part, on the historical trends and anticipated future trends of operations of individual restaurants.

Impairment charges in 2013 included \$0.2 million related to the write-down of a building associated with one restaurant closed in 2009. The write-down of the building was based on broker estimates of sales price based on offers on the property. The remaining \$0.2 million in expenses were ongoing closure costs associated with one restaurant that was closed in 2012 and one restaurant that was closed in 2009.

Impairment charges in 2012 included \$0.5 million associated with the impairment of goodwill and intangible assets related to one restaurant and \$0.9 million related to the write-down of building, equipment and furniture and fixtures associated with one restaurant closed in 2012. The goodwill impairment charges in 2012 resulted from our annual testing which relies, in part, on the historical trends and anticipated future trends of operations of individual restaurants. The remaining \$0.2 million in expenses were ongoing closure costs associated with one restaurant that was closed in 2012 and one restaurant that was closed in 2009.

(16) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under FASB ASC 815, Derivatives and Hedging ("ASC 815"). We

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(16) Derivative and Hedging Activities (Continued)

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 JP Morgan 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 amended 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 one 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 amended 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 one 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 AOCI, net of tax, in our consolidated balance sheet to interest expense in our 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 14 for fair value discussion of these interest rate swaps.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(16) Derivative and Hedging Activities (Continued)

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

	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		December 30, 2014	December 31, 2013	December 30, 2014	December 31, 2013
Derivative Contracts Designated as Hedging Instruments under ASC 815	(1)				
Interest rate swaps		\$ —	\$ —	\$ 1,375	\$ 2,696
Total Derivative Contracts		\$ —	\$ —	\$ 1,375	\$ 2,696

- (1) The current portion of derivative assets and liabilities is included in other accrued liabilities while the long-term portion is included in other liabilities on the consolidated balance sheets.

The following table summarizes the effect of our interest rate swaps in the consolidated statements of income and comprehensive income for the 52 and 53 weeks ended December 30, 2014 and December 31, 2013, respectively:

	Fiscal Year Ended		
	December 30, 2014	December 31, 2013	December 25, 2012
Gain recognized in AOCI, net of tax (effective portion)	\$ 808	\$ 809	\$ 148
Loss reclassified from AOCI to income (effective portion)	\$ 1,480	\$ 1,474	\$ 1,444

The loss reclassified from AOCI to income was recognized in interest expense on our consolidated statements of income and comprehensive income. For each of the fiscal periods ended December 30, 2014, December 31, 2013 and December 25, 2012, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the consolidated statements of income and comprehensive income.

(17) 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 former Chief Operating Officer. The initial lease term was 15 years and was scheduled to terminate in November 2014. We exercised our first renewal term so the lease will now expire on October 31, 2019. The lease can be renewed for three additional terms of five years each. Rent is approximately \$20,500 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 \$0.2 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012.

The Bossier City, Louisiana restaurant, of which Mr. Ortiz beneficially owns 66.0% and we own 5.0%, leases the land and 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

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(17) Related Party Transactions (Continued)

five years 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 \$0.2 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012.

We have 14 franchise restaurants owned in whole or part by certain officers, directors and stockholders of the Company as of December 30, 2014. As of December 31, 2013 and December 25, 2012, we had 15 franchise restaurants owned in whole or part by certain officers, directors and stockholders of the Company. These entities paid us fees of \$2.5 million, \$2.4 million and \$2.3 million for the years ended December 30, 2014, December 31, 2013 and December 25, 2012, respectively. As discussed in note 12, we are contingently liable on leases which are related to three of these restaurants.

On November 26, 2014, we acquired the remaining ownership interests of a franchise restaurant owned in part by us and certain officers or stockholders of the Company. Prior to this acquisition, we owned 5% interest in the franchise restaurant which we accounted for using the equity method. While we did exercise significant control over the restaurant prior to our acquisition of the remaining ownership interests, we did not consolidate their financial position, results of operations and/or cash flows as it was immaterial to our financial position, results of operations and/or cash flows. See note 3 for further discussion of the acquisition.

(18) Selected Quarterly Financial Data (unaudited)

	2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	\$ 397,142	\$ 395,363	\$ 385,218	\$ 404,425	\$ 1,582,148
Total costs and expenses	\$ 356,958	\$ 360,962	\$ 356,397	\$ 377,382	\$ 1,451,699
Income from operations	\$ 40,184	\$ 34,401	\$ 28,821	\$ 27,043	\$ 130,449
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 26,465	\$ 23,081	\$ 18,881	\$ 18,595	\$ 87,022
Basic earnings per common share	\$ 0.38	\$ 0.33	\$ 0.27	\$ 0.27	\$ 1.25
Diluted earnings per common share	\$ 0.37	\$ 0.33	\$ 0.27	\$ 0.26	\$ 1.23
Cash dividends declared per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.60

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Tabular amounts in thousands, except share and per share data)

(18) Selected Quarterly Financial Data (unaudited) (Continued)

	2013				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	\$ 359,676	\$ 352,119	\$ 334,770	\$ 376,020	\$ 1,422,585
Total costs and expenses	\$ 321,508	\$ 322,322	\$ 309,074	\$ 349,966	\$ 1,302,870
Income from operations	\$ 38,168	\$ 29,797	\$ 25,696	\$ 26,054	\$ 119,715
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 26,171	\$ 19,963	\$ 17,170	\$ 17,119	\$ 80,423
Basic earnings per common share	\$ 0.38	\$ 0.29	\$ 0.24	\$ 0.24	\$ 1.15
Diluted earnings per common share	\$ 0.37	\$ 0.28	\$ 0.24	\$ 0.24	\$ 1.13
Cash dividends declared per share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.48

In the fourth quarter of 2014, we recorded \$0.6 million (\$0.4 million after-tax) associated with the impairment of goodwill related to one restaurant in which the carrying value was reduced to fair value. See note 15 for further discussion of impairment and closure costs.

In the fourth quarter of 2013, we recorded a gain of \$1.8 million (\$1.2 million after-tax) associated with the sale of the Aspen Creek concept, including two restaurants. The fourth quarter of 2013 also includes an estimated impact of \$0.03 to \$0.04 per share for the 53rd week. See note 2 for further discussion.

LEASE AGREEMENT

This Lease Agreement (the "Lease") is made and entered into by and between TEAS IV, INC., a Texas corporation ("Landlord"), and ROADHOUSE OF BOSSIER CITY, LLC, a Kentucky limited liability company ("Tenant"), effective as of the date of last execution by the parties.

ARTICLE I

Grant of Lease

1.1 Grant of Lease. Landlord hereby demises and leases to Tenant, and Tenant hereby leases and accepts from Landlord, certain real property and improvements located in Bossier City, Louisiana legally described on Exhibit A attached hereto (the "Premises"), together with all rights, privileges and easements appurtenant thereto.

ARTICLE II

Term

2.1 Original Term. The term (the "Original Term") of this Lease shall begin upon the earlier of: (a) the day Tenant opens for business on the Premises; and (b) September 1, 2005 (the "Commencement Date") and shall end on the date which is fifteen (15) years thereafter (the "Termination Date").

2.2 Renewal Terms. Unless Tenant has given Landlord written notice at least ninety (90) days prior to the Termination Date, this Lease shall automatically renew on the same terms as contained herein for an additional five (5) year term (the "First Renewal Term"). Unless Tenant has given Landlord written notice at least ninety (90) days prior to the termination of the First Renewal Term, this Lease shall automatically renew on the same terms contained herein for a second additional term of five (5) years (the "Second Renewal Term"). Unless Tenant has given Landlord written notice at least ninety (90) days prior to the termination of the Second Renewal Term, the Lease shall automatically renew on the same terms as contained herein for a third additional term of five (5) years (the "Third Renewal Term"). The Original Term, First Renewal Term, Second Renewal Term and Third Renewal Term are sometimes referred to collectively as the "Term."

ARTICLE III

Rents

3.1 Rent. Commencing on the first day of the Original Term, and on or before the first day of each month thereafter, Tenant shall pay to Landlord as rent for the Premises a base rent (the "Rent") as follows:

	<u>Annual Rent</u>	<u>Monthly Rent</u>
Years 1-5	\$ 181,300.00	\$ 15,108.33
Years 6-10	\$ 199,430.00	\$ 16,619.17
Years 11-15	\$ 219,373.00	\$ 18,281.08
First Renewal Term	\$ 241,310.30	\$ 20,109.19
Second Renewal Term	\$ 265,441.33	\$ 22,120.11
Third Renewal Term	\$ 291,985.46	\$ 24,332.12

3.2 Partial Month. There shall be a proration of Rent based upon occupancy by the Tenant for any period of time less than a month at the beginning or ending of the Term.

ARTICLE IV

Expenses

4.1 Expenses. Tenant shall be responsible for paying all expenses ("Expenses") which result from its occupation of the Premises. Expenses shall include the cost of all utilities for the Premises, including, without limitation, water, sewer, power, fuel, heating, lighting, air conditioning, and ventilating; the cost of all insurance relating to the Premises, its occupancy or operations; the cost of repairs and maintenance of the Premises, all taxes, including all federal, state, and local government taxes, assessments, and charges of any kind or nature, whether general, special, ordinary or extraordinary, paid by, imposed upon, or assessed against Landlord or the Premises during each year of the Term with respect to the ownership, management, operation, maintenance or repair of the Premises, including all license and permit fees required to be paid in connection with the operation and leasing of the Premises; and all other costs and expenses which are reasonably necessary to the ownership, operation and maintenance of the Premises.

4.2 Determination of Expenses. The Expenses shall be the actual expenses incurred during the year. Landlord shall make available to Tenant records and other information as is reasonable and necessary to substantiate any Expenses paid by Landlord and reimbursable by Tenant.

ARTICLE V

Use of Premises

- 5.1 Use. The Premises shall be used by the Tenant as a Texas Roadhouse restaurant, or for any other lawful use.

ARTICLE VI

Services, Maintenance, Repair and Alterations

- 6.1 General Operations. During the Term, Tenant shall operate and maintain the Premises in accordance with all applicable laws and regulations.

6.2 Services. Tenant shall be responsible for the payment of any expenses associated with the use, operation, repair, maintenance and replacement of heating, ventilation, air conditioning, electrical, plumbing, mechanical and structural systems, facilities, and equipment necessary for the proper operation of the Premises.

6.3 Maintenance and Repair. Tenant shall maintain and keep in good condition at all times the improvements located on the Premises. Tenant further shall maintain the parking area and shall arrange for landscaping maintenance and other services as are necessary for the general upkeep of the entry ways and exterior of the Premises.

6.4 Alterations by Tenant. Tenant may make non-structural alterations or additions to the interior Premises without Landlord's consent. Tenant may make structural alterations or alterations and additions which affect the exterior of the Premises only with the express written consent of Landlord, such consent not to be unreasonably withheld.

ARTICLE VII

Taxes

7.1 Taxes. Tenant shall timely pay any and all real estate or personal property taxes, license fees, assessments, and other fees, however described, that are levied, imposed, charged or otherwise assessed to the Premises or which are specifically assessed to the Tenant's operation of businesses conducted in the Premises or personal property employed in the conduct of business.

7.2 Right to Contest. Tenant shall have a right, in good faith, to contest to the imposing authority, the validity or amount of any tax, assessment, license fee, excise tax, or other charges which are identified for payment under this Article VII, provided that such contest will not jeopardize the interest of the Landlord in the Premises. Upon final determination of any contest, the Tenant, shall immediately pay any amounts due including penalties and interest due.

ARTICLE VIII

Insurance

8.1 Casualty Insurance. During the Term, Tenant shall maintain and pay for casualty and fire insurance with extended coverages on the Premises for the full replacement value of all improvements thereon.

8.2 Liability Insurance. During the Term, Tenant shall maintain and pay public liability insurance, including so-called "Dram Shop" coverage, with minimum limits of not less than Two Million Dollars (\$2,000,000.00) combined single limit (bodily injury and property damage), naming Landlord and, if requested, Landlord's mortgagee as additional insureds.

ARTICLE IX

Injury to Person or Property

9.1 Indemnity by Tenant. Tenant shall indemnify and hold harmless Landlord from and against every demand, claim, cause of action, judgment and expense (including court costs and attorney fees), loss or damages resulting from any injury or damage to the person or property of the Landlord where the injury or damage is caused by the negligence or misconduct of the Tenant, its agents, employees or members, or any other person entering the Premises under express or implied invitation of the Tenant, or which results from Tenant's violation of laws, ordinances or governmental orders of any kind.

9.2 Indemnity by Landlord. Landlord shall indemnify and hold harmless Tenant from and against every demand, claim, cause of action, judgment and expense (including court costs and attorney fees), loss or damages resulting from any injury or damage to the person or property of the Tenant where the injury or damage is caused by the negligence or misconduct of the Landlord, its agents, employees or members, or any other person entering the Premises under express or implied invitation of the Landlord, or which results from Landlord's violation of laws, ordinances or governmental orders of any kind.

ARTICLE X

Transfers by Tenant

10.1 Assignment. This Lease may be assigned, pledged, mortgaged, encumbered or transferred by Tenant to another party without Landlord's consent.

10.2 Subletting. The Tenant may sublet the Premises or any part thereof without Landlord's consent.

10.3 Tenant's Obligation Shall Continue. Any assignment or subletting which is permitted under this Article X shall in no way release or relieve Tenant of its obligations under this Lease.

ARTICLE XI

Surrender

11.1 Surrender. Upon termination of this Lease, Tenant shall surrender to the Landlord the Premises in substantially the same condition as the Tenant was bound to maintain under this Lease, reasonable wear and tear excepted. Upon surrender, all leasehold improvements and remaining fixtures and improvements made by the Tenant shall become the property of the Landlord, except that Tenant shall have the right to remove any of its personal property. Payment by the Tenant of any monies due after the termination of this Lease shall not reinstate or continue the Term and shall not make ineffective any notice given the Tenant prior to the payment and receipt of such monies.

ARTICLE XII

Damage by Fire or Other Casualty

12.1 Damage to Premises. If all or part of the Premises are rendered untenable by damage from a fire or other casualty, then Tenant may elect to terminate this Lease as of the date of such casualty by written notice to the Landlord within thirty (30) days following the casualty. In the event Tenant does not so terminate this Lease, Landlord shall promptly repair and restore the Premises to as near the condition which existed prior to the casualty as reasonably possible, provided that Tenant shall be responsible for the repair and replacement of its furniture, fixtures, equipment and other personal property.

12.2 Abatement of Rent. If Tenant does not elect to terminate this Lease, then during such time as repairs are being made, the rent shall be proportionately abated for that portion of the Premises that are unusable by the Tenant. Such abatement shall commence on the first day of the casualty and extend until five (5) days following the completion of repairs.

12.3 Mutual Release from Liability for Fire and Other Casualty. Landlord and Tenant release each other from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) under fire and extended coverage or supplemental casualty contracts, if such fire or other casualties shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible; and the party shall use its best efforts to have included in its respective and fire extended coverage insurance policies a waiver of subrogation rights against the Landlord or Tenant as the case may be.

12.4 Eminent Domain.

(a) In the event that all or any portion of the Premises is taken under the power of eminent domain by any competent authority, this Lease shall terminate as to the part so taken as of the date on which Tenant is required to yield possession thereof to the taking authority. If the taking of a portion of the Premises is not a Substantial Portion (as defined below), then Landlord shall make all repairs, alterations and replacements as may be necessary

in order to restore the portion of the Premises not taken to useful condition and the Rent shall be reduced on an equitable basis to take into account the elimination of the portion of the Premises taken.

(b) If the taking of a portion of the Premises is a Substantial Portion, then Tenant shall have the option to terminate this Lease as of the date on which Tenant is required to yield possession of the portion taken to the taking authority, which option shall be exercised by Tenant by written notice delivered to the Landlord on or prior to such date. Unless this Lease is so terminated, Landlord shall make all repairs, alterations and replacements as may be necessary in order to restore the portion of the Premises not taken to as useful a condition as is practicable and the Rent shall be reduced on an equitable basis to take into account the elimination of the portion of the Premises taken. For all purposes of this Agreement, the term "Substantial Portion" means (i) any part of the building on the Premises, (ii) 10% or more of the parking spaces on the Premises, (iii) 15% or more of the land area demised as part of the Premises, (iv) any property which affects the direct access from the Premises to any adjacent street or highway, and (v) any portion of the land or improvements, the absence of which is reasonably likely to have a substantial impact on the business of Tenant conducted in, on, or from the Premises.

ARTICLE XIII

Transfers by Landlord

13.1 Sales, Conveyance and Assignment. Nothing in this Lease shall restrict the right of the Landlord to assign this Lease or sell, transfer or convey its interest in and to the Premises, or any part thereof, provided that such assignment, sale, transfer or conveyance shall be subject to the rights of the Tenant under this Lease. This Lease shall not be affected by such sale, assignment, transfer or conveyance.

13.2 Landlord's Right to Mortgage. Any lien or encumbrances made, recovered, or placed upon the leased Premises subsequent to the date hereof shall automatically be subject and subordinate to the rights of the Tenant hereunder. Notwithstanding the foregoing, Tenant agrees to subordinate its rights to a future mortgagee or trustee of Landlord upon entering into a mutually acceptable subordination, non-disturbance and attornment agreement with such mortgagee or trustee.

ARTICLE XIV

Notices and Acknowledgments

14.1 Notices. Any notice from one (1) party to the other hereunder shall be in writing and shall be deemed to have been duly served if delivered below, or to such other address as may be designated by either Landlord or Tenant by notice given from time to time in accordance with this Section 14.1:

To Landlord: TEAS IV, Inc.
36 Remington West
Highland Village, Texas 75067
Attn: Steven R. Ortiz

Landlord's EIN:

To Tenant: Roadhouse of Bossier City, LLC
6040 Dutchmans Lane, Suite 400
Louisville, KY 40205
Attn: Sheila Brown, Esq.

A request, notice, approval, consent or communication given in accordance with this Section 14.1 shall be deemed received (i) upon receipt if delivered personally or by facsimile; (ii) upon receipt or refusal to accept delivery if delivered by United States certified mail, return receipt requested; or (iii) one (1) business day after depositing with an overnight courier service.

ARTICLE XV

Default

15.1 Conditions of Default by Tenant. The occurrence of one or more of the following events (hereinafter referred to as "default") shall be deemed a default under this Lease by Tenant:

(a) Tenant shall default in the timely payment of the Rent or any other amounts payable hereunder; and such default shall continue for ten (10) calendar days following receipt of written notice from the Landlord; or

(b) Tenant shall neglect or fail to perform any of the other covenants and provisions herein contained and the Tenant shall fail to remedy the same or begin to remedy the same within thirty (30) calendar days following receipt of written notice from the Landlord unless a longer correction period is granted by the Landlord in the written notice, provided that the Tenant proceeds with due diligence to complete such cure and informs the Landlord of actions taken to initiate such cure within the specified time period; or

(c) Tenant shall (i) be adjudicated bankrupt or insolvent, (ii) file, or threaten to file, a petition for bankruptcy or for reorganization under the Bankruptcy Act as now or in the future may be amended, or (iii) initiate actions to assign its properties for the benefit of creditors, except as is normally required in debt financing instruments; or

(d) Tenant shall abandon the Premises.

15.2 Landlord Rights. If one (1) or more of such events in Article 15.1 occur, the Landlord shall have the right, if such defaults continue after providing such notices as are required, at its option and without limiting itself in the exercise of any other right or remedy it

may have on account of such breach or default, and without any further demand or notice, reenter the Premises with process of law, take possession of the Premises, improvements, additions, alterations, equipment and fixtures thereon, and eject all parties in possession as may be necessary. In such event, Landlord may, without terminating this Lease, at any time and from time to time, relet the demised Premises or any part of parts thereof for the account of the Tenant, or otherwise, and receive and collect the rent therefor. In any case, and whether or not the demised Premises or any part thereof be relet, the Tenant shall pay to the Landlord all sums required to be paid by the Tenant up to the time of reentry by the Landlord, and pay to the Landlord until the end of the term of this Lease the equivalent of the amount of all rent, less the proceeds of such reletting, if any.

15.3 Conditions of Default by Landlord. The Landlord shall be considered to be in default under this Lease should Landlord neglect or fail to perform any of its covenants and provisions herein contained and the Landlord shall fail to remedy the same or begin to remedy the same within fifteen (15) calendar days following receipt of written notice of the Tenant unless a longer correction period is granted by the Tenant in the written notice, provided that the Landlord proceeds with due diligence to complete such cure and informs the Tenant of actions taken to initiate such cure within the specified time period.

15.4 Tenant's Rights. If an event as described in Article 15.3 occurs, the Tenant shall have the right, if such defaults continue after providing such notices as are required, at its option and without limiting itself in the exercise of any other right or remedy it may have on account of such breach or default, and without any further demand or notice, to terminate this Lease, without any further obligation to the Landlord, whatsoever.

ARTICLE XVI

Miscellaneous

16.1 Applicable Law and Construction of Lease. This Lease shall be governed by and under the laws of the State of Louisiana, and its provisions shall be constructed or modified in part or in whole in accordance with the applicable law's common meaning and not strictly interpreted for or against either the Landlord or the Tenant. Any change in applicable law shall require only provisions of the Lease so affected to be modified and shall not invalidate or nullify any of the other provisions contained herein. The captions and arrangements of the paragraphs are for convenience only and have no effect on the interpretation of the Lease.

16.2 Successors Bound. Except as otherwise provided herein, the covenants, terms and conditions in this Lease shall be binding upon an inure to the benefit of the permitted successors and assigns of the parties hereto.

16.3 Amendment or Modification. Unless otherwise specifically provided in this Lease, no amendment, modification, addition by supplement or exhibit shall be valid unless set out in writing and executed by the parties hereto in the same manner as the execution of this Lease. Subject to the previous sentence, this Lease, in its entirety, may be changed, amended or otherwise modified by mutual consent of the parties hereto.

16.4 No Implied Surrender or Waiver. No provisions of this Lease shall, even if not enforced or exercised from time to time, be deemed to have been waived by the Landlord or Tenant unless a waiver is in writing signed by the Landlord or Tenant.

16.5 Entire Agreement. This Lease, as may be amended from time to time as described herein, contains the entire agreement between the parties hereto with respect to the subject matter of this Lease. This Lease is effective and binding upon the parties hereto and supersedes any other lease that may exist between them.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement, effective as of the date first written above, by affixing their corporate seals by their authorized officers in their behalf, and by the signatures signed below.

LANDLORD:

TEAS IV, INC.
a Texas corporation

By: /s/ Steve Ortiz
Name: Steve Ortiz
Its: _____
Date: _____

TENANT:

ROADHOUSE OF BOSSIER CITY, LLC
a Kentucky limited liability company

By: Texas Roadhouse Holdings LLC
a Kentucky limited liability company
Its: Manager

By: Texas Roadhouse, Inc.
a Delaware corporation
Its: Manager

By: /s/ Scott M. Colosi
Name: Scott M. Colosi
Title: Chief Financial Officer
Date: January 10 2005

EXHIBIT A

Legal Description of the Premises

A tract of land in the East half of Section 28, Township 18 North, Range 13 West, Bossier City, Louisiana. Said tract being more fully described as follows:

From the Southeast corner of Lot 100, Central Plaza Subdivision Unit No. 2, as recorded in book 339, pages 466 & 467 of the records of Bossier Parish, Louisiana, run thence South 00°27'10" East a distance of 271.47 feet, thence run North 89°33'30" East a distance of 326.82 feet to found ½" diameter iron pipe, being the Point of Beginning of the tract herein described,

From said Point of Beginning, run thence North 00°27'10" West a distance of 270.06 feet to a found ½" diameter iron pipe,

Thence run North 89°33'29" East a distance of 470.83 feet to a set ½" diameter iron pipe on the West right-of-way line of Gould Drive,

Thence run South 27°09'40" West along said right-of-way line a distance of 304.75 feet,

Thence run South 89°33'30" West a distance of 329.58 feet to the Point of Beginning.

**Schedule of the Owners of Company-Managed Texas Roadhouse Restaurants and the
Interests Held by Directors, Executive Officers and 5% Stockholders Who Are Parties to
Limited Partnership Agreements and Operating Agreements**

As of December 30, 2014

<u>Entity Name</u>	<u>Restaurant Location</u>	<u>Percentage of Holdings' Interest</u>	<u>Actual Management Fee Charged</u>	<u>Percentage Owned by Executive Officers, Directors & 5% Stockholders</u>
Texas Roadhouse of Billings, LLC	Billings, MT	5%	0.5%	57%
Roadhouse of Bossier City, LLC	Bossier City, LA	5%	0.5%	66%
Texas Roadhouse of Brownsville, Ltd.	Brownsville, TX	4.99%	0.5%	30.61%
Texas Roadhouse of Everett, LLC	Everett, MA	5%	0.5%	59%
Roadhouse of Fargo, LLC	Fargo, ND	5.05%	0.5%	5.05%
Roadhouse of Longmont, LLC	Longmont, CO	5%	0.5%	50.5%
Roadhouse of McKinney, Ltd.	McKinney, TX	5%	0.5%	32%
Green Brothers Dining, Inc.	Melbourne, FL	0%	2%	34%
Hoosier Roadhouse, LLC	Muncie, IN	0%	0%	11.48%
Roadhouse of Omaha, LLC	Omaha, NE	5.49%	0.5%	10.99%
Texas Roadhouse of Port Arthur, Ltd.	Port Arthur, TX	5%	0.5%	63.5%
Roadhouse of Temple, Ltd.	Temple, TX	5%	0.5%	78%
Roadhouse of Wichita, LLC	Wichita, KS	5%	0.5%	52.1%

Schedule of the Directors, Executive Officers and 5% Stockholders which have entered into License Agreements, Franchise Agreements or Preliminary Agreements for a Texas Roadhouse Restaurant

As of December 30, 2014

	<u>Name and Ownership</u>	<u>Prelim. Agt. Signed</u>	<u>Fran. or Lic. Agt. Signed</u>	<u>Franchise Fee</u>	<u>Royalty Rate</u>
BILLINGS, MT TEXAS ROADHOUSE OF BILLINGS, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (55.0%) Scott M. Colosi (2.0%)	3/1/2002	7/7/2014	\$ 0	3.5%
BOSSIER CITY, LA ROADHOUSE OF BOSSIER CITY, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (66.0%)	3/19/2004	12/1/2004	\$ 0	3.5%
BROWNSVILLE, TX TEXAS ROADHOUSE OF BROWNSVILLE, LTD. 6040 DUTCHMANS LANE, SUITE 200 LOUISVILLE, KY 40205	Steven L. Ortiz (30.61%)	5/14/2002	9/22/2014	\$ 0	3.5%
EVERETT, MA TEXAS ROADHOUSE OF EVERETT, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (59.0%)	2/15/2002	5/21/2014	\$ 0	3.5%
FARGO, ND (1) ROADHOUSE OF FARGO, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Scott M. Colosi (5.05%)	1/30/2006	8/25/2006	\$ 0	3.5%
FARMINGTON, NM (2) ROADHOUSE OF FARMINGTON, NM, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (95.0%)	3/19/2004		\$ 0	3.5%
LEXINGTON, KY MAN O'WAR RESTAURANTS, INC. 300 WEST VINE, SUITE 2200 LEXINGTON, KY 40507	W. Kent Taylor (10.0%)	N/A	9/26/1994 (lic) 8/13/2012 (fran)	\$ 0	2.0%
LONGMONT, CO ROADHOUSE OF LONGMONT, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (50.5%)	12/19/2003	11/25/2014	\$ 0	3.5%
MCKINNEY, TX ROADHOUSE OF MCKINNEY, LTD. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (30.0%) Scott M. Colosi (2.0%)	3/16/2004	9/16/2014	\$ 0	3.5%
MELBOURNE, FL(3) GREEN BROTHERS DINING, INC. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (34.0%)	N/A	Unknown (lic) 8/13/2012 (fran)	\$ 0	0%
MUNCIE, IN HOOSIER ROADHOUSE, LLC 2131 MELODY LANE ANDERSON, IN 46012	W. Kent Taylor (11.48%)	N/A	5/29/1996 (lic) 4/11/2013 (fran)	\$ 0	\$ 50,000 /yr
OMAHA, NE ROADHOUSE OF OMAHA, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Scott M. Colosi (10.99%)	3/19/2004	3/8/2005	\$ 0	3.5%
PORT ARTHUR, TX TEXAS ROADHOUSE OF PORT ARTHUR, LTD. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (30.0%) Steven L. Ortiz (30.5%) Scott M. Colosi (3.0%)	12/15/2003	9/2/2013	\$ 0	3.5%
TEMPLE, TX ROADHOUSE OF TEMPLE, LTD. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (78.0%)	3/19/2004	3/11/2005	\$ 0	3.5%

WICHITA, KS ROADHOUSE OF WICHITA, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (48.1%) Scott M. Colosi (4.0%)	3/17/2004	12/1/2004	\$	0	3.5%
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- (1) Franchise rights under Preliminary Agreement dated 4/27/2004 with Roadhouse of Louisiana, LLC were transferred to this location.
 - (2) Franchise rights under this Preliminary Agreement are to be transferred to a location not yet identified.
 - (3) Restaurant opened in September 1996. In lieu of royalties, the entity pays management fees.
-

FOURTH AMENDMENT TO LEASE

This Fourth Amendment to Lease ("Fourth Amendment"), is made and entered into as of the 22 date of July, 2009, by and between **Paragon Centre Holdings, LLC**, a Kentucky limited liability company ("Landlord") and **Texas Roadhouse Holdings LLC**, a Kentucky limited liability company ("Tenant");

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into that certain Amended and Restated Lease dated January 1, 2006, a First Amendment to Lease dated December 27, 2006, a Second Amendment to Lease dated May 10, 2007, and a Third Amendment to Lease dated September 7, 2007, (collectively, the "Lease") for space in Two Paragon Centre as follows;

Suite 400 (16,023 square feet of rentable space);
Suite 100 (3,082 square feet of rentable space);
Suite 110 (2,416 square feet of rentable space);
Suite 120 (2,994 square feet of rentable space);
Suite 130. (2,313 square feet of rentable space);
Suite 140 (1,334 square feet of rentable space);
Suite 150 (3,317 square feet of rentable space);
Suite 200 (8,040 square feet of rentable space);
Suite 300 (4,334 square feet of rentable space),
Suite 305 (1,488 square feet of rentable space);
Suite 310 (1,405 square feet of rentable space);
Suite 315 (3,863 square feet of rentable space);
Suite 320 (4,581 square feet of rentable space)
Suite 250 (3,892 square feet of rentable space)

all located in Two Paragon Centre, 6040 Dutchmans Lane, Louisville, Kentucky, for a total of 59,082 square feet of rentable space ("Premises");

WHEREAS, Tenant now occupies all of the aforesaid Suites and desires to lease additional space known as Suite 220 in Two Paragon Centre which will result in Tenant renting the entire building of Two Paragon Centre, including all commons areas of the building, for a total of 65,917.6 square feet; and

WHEREAS, Landlord and Tenant desire to amend certain other terms and conditions of the Lease and evidence their agreements and other matters by means of this Fourth Amendment;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereby agree as follows:

1. Pursuant to Exhibit C, paragraph 1 of the Lease, Landlord agrees to lease and Tenant agrees to accept in its "AS IS WHERE IS" condition, Suite 220 in Two Paragon Centre, thereby making Tenant the sole occupant of the entire building known as Two Paragon Centre. Paragraph 2.1 of the Lease shall be amended to
-

include Suite 220 as a part of the Premises and the total rentable square footage of the Premises shall be amended to 65,917.6 square feet effective May 1, 2009. Exhibit B shall be replaced with the attached Exhibit B. The term for Suite 220 shall run co-terminous with the remainder of the Premises. Paragraph 2.2 of the Lease is hereby amended to state that Tenant's obligation to pay Base Rent and Tenant's Prorata Share of Operating Expenses for Suite 220 commences January 1, 2010. Exhibit C, paragraph 1 will be of no force and effect as Tenant now occupies the entire building of Two Paragon Centre.

2. The original term of the Lease shall be amended to expire on December 31, 2025. The Extension Option under Exhibit C shall remain in full force and effect.
3. The Expense Stop defined under Basic Lease Provisions section shall be changed to \$3.63 per square foot beginning January 1, 2010.
4. Landlord and Tenant agree that the Base Rent for the Premises beginning January 1, 2010, will be \$14.93 per rentable square foot. Section 3.1 of the Lease will be amended as follows:

Months of Term	Premises	Base Rent per Rentable Square Foot	Total Base Rent	Base Rent Monthly
1/1/10-12/31/10	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	\$ 14.93	\$ 984,149.77	\$ 82,012.48
1/1/11-12/31/11	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	\$ 15.18	\$ 1,000,629.17	\$ 83,385.76
1/1/12-12/31/12	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	\$ 15.43	\$ 1,017,108.57	\$ 84,759.05
1/1/13-12/31/15	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	\$ 15.93	\$ 1,050,067.37	\$ 87,505.61
1/1/16-12/31/20	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	\$ 16.93	\$ 1,115,984.97	\$ 92,998.75

1/1/21-12/31/25	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	\$	17.93	\$	1,181,902.57	\$	98,491.88
Option 1	400, 100, 110, 120, 130, 140, 150, 200, 300, 305, 310, 315, 320, 250, 220	95% of Fair Market Rent (as defined in Exhibit C, Special Stipulations)					

5. Section 4.2 of the Lease shall be deleted in its entirety and the following language shall be inserted in lieu thereof:

“Keys and Locks. Landlord shall initially furnish Tenant with a reasonable number of keys or key fobs for the standard corridor doors serving the Premises. Additional keys or key fobs will be furnished by Landlord upon an order signed by Tenant and at Tenant’s expense. All such keys and/or key fobs shall remain the property of Landlord. Upon termination or expiration of this Lease or a termination of possession of the Premises by Tenant, Tenant shall surrender to Landlord all keys and/or key fobs to any locks on doors entering or within the Premises. Tenant shall be responsible for access of its employees, agents, concessionaires, licensees, customers and invitees to and from the building and to suites within the building, and notifying the security company when building access doors should be open or locked, including, but not limited to weekends and holidays. In addition, Tenant will provide contact information to the alarm monitoring company, whose contact information shall be supplied by Landlord to Tenant, so that Tenant may be notified in the event the security alarm is activated.”

6. Section 3.2 and 4.1 of the Lease shall be amended as follows: Beginning on January 1, 2010, the following services shall be provided by Tenant and shall no longer be the responsibility of the Landlord and shall not be billed as part of the Operating Expenses for the Premises:

- A. Elevator emergency phone and fire panel phone line (currently using Bellsouth).
- B. Monitoring for fire, elevator phones and door access (currently using Sonitrol Security Systems).
- C. Exterminator (currently using Okalona Pest Control)
- D. Interior Landscaping (currently using Alpine Interior)
- E. Cleaning Supplies (currently using Eagle Paper)
- F. Cleaning Contract (currently using Jani-King)
- G. Utilities — LG&E (excludes parking lot lighting)

Landlord will continue managing the fire sprinklers and sprinkler testing and inspections, window washing, parking lot lighting and maintenance and waste removal.

7. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
-

8. This Fourth Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

EXCEPT AS expressly amended and modified hereby, the Lease shall otherwise remain in full force and effect, the parties hereto hereby ratifying and confirming the same, including but not limited to the Special Stipulations, detailed in Exhibit C of the Lease, excepting paragraph 1 which is no longer in force and effect. To the extent of any inconsistency between the Lease and this Fourth Amendment, the terms of this Fourth Amendment shall control as to the subject matter covered herein.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Fourth Amendment as of the date and year first above written.

LANDLORD:
PARAGON CENTRE
HOLDINGS, LLC
A Kentucky limited liability
company

By: /s/ David W. Nicklies
David W. Nicklies, Manager

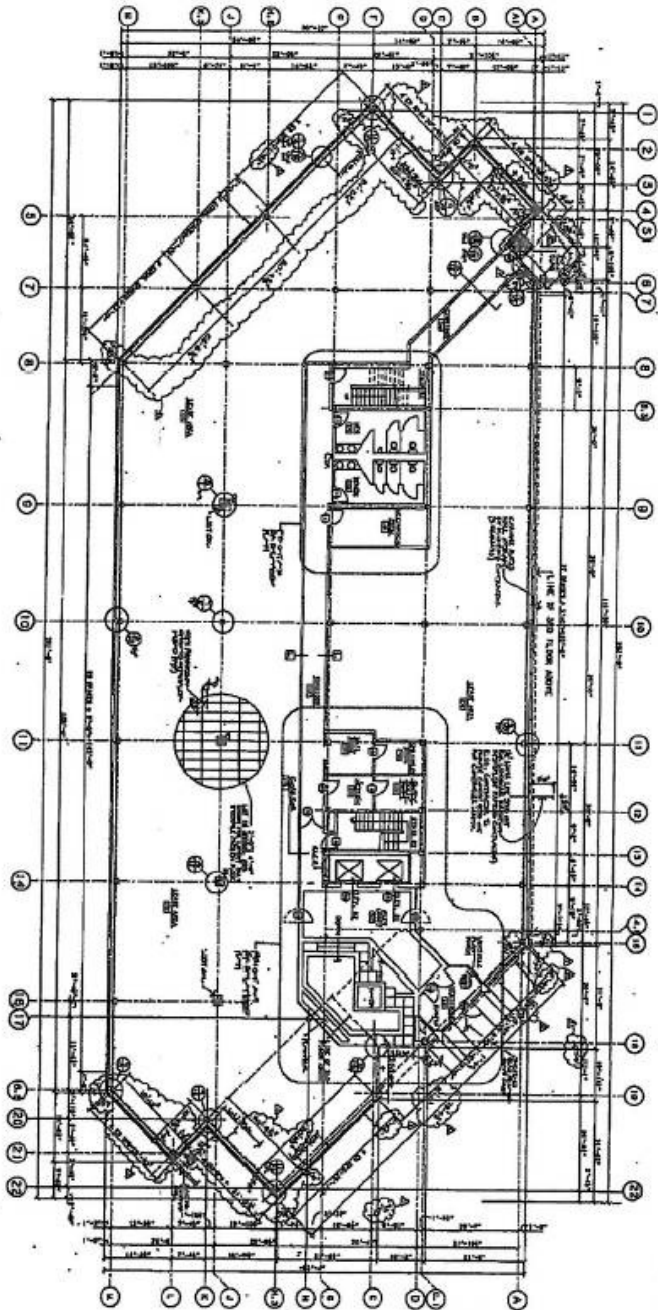
TENANT:
TEXAS ROADHOUSE
HOLDINGS LLC
A Kentucky limited liability
company

By: Texas Roadhouse, Inc., a Delaware
corporation, its Manager

By: /s/ G.J. Hart
G.J. Hart, President,
Chief Executive Officer



FIRST FLOOR PLAN
SCALE: 1/8" = 1'-0"



NO.	DESCRIPTION	DATE
1	REVISION	
2	REVISION	
3	REVISION	
4	REVISION	
5	REVISION	
6	REVISION	
7	REVISION	
8	REVISION	
9	REVISION	
10	REVISION	
11	REVISION	
12	REVISION	
13	REVISION	
14	REVISION	
15	REVISION	
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19	REVISION	
20	REVISION	
21	REVISION	
22	REVISION	

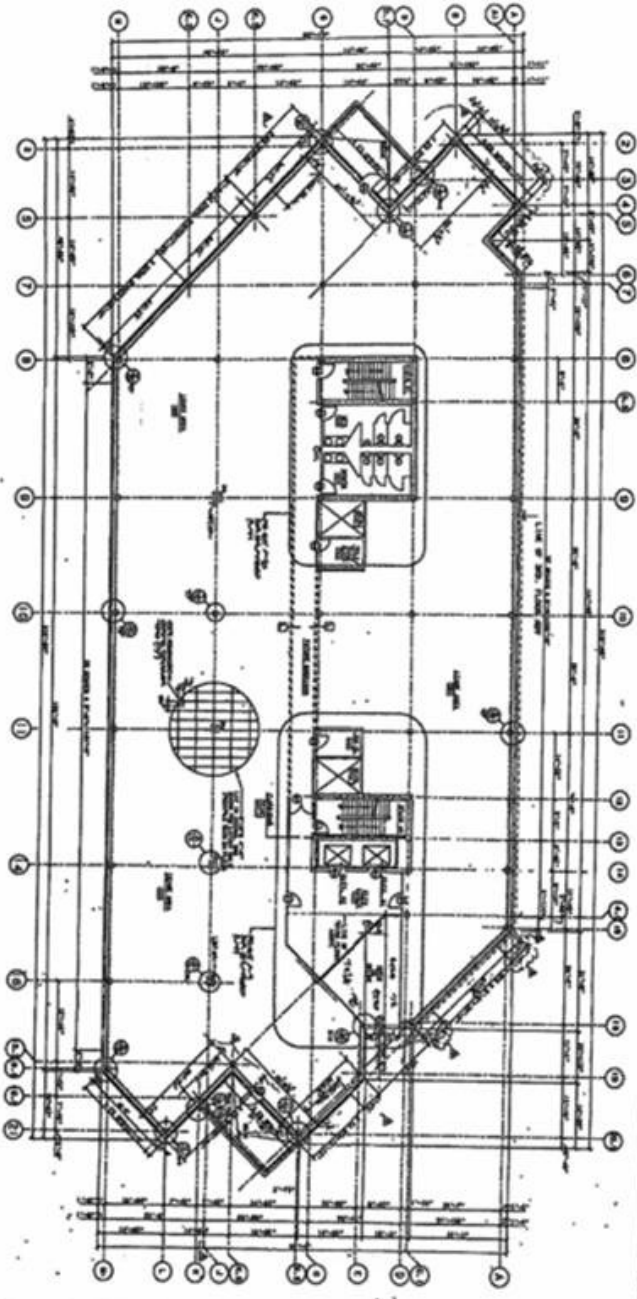
TWO PARAGON CENTRE

LOUISVILLE, KENTUCKY

ARCHITECT	ENGINEER
LOUISVILLE ARCHITECTS	LOUISVILLE ENGINEERS
ARCHITECT, INC.	ENGINEER, INC.
ARCHITECT, INC.	ENGINEER, INC.
ARCHITECT, INC.	ENGINEER, INC.



SECOND FLOOR PLAN
SCALE: 1/8" = 1'-0"

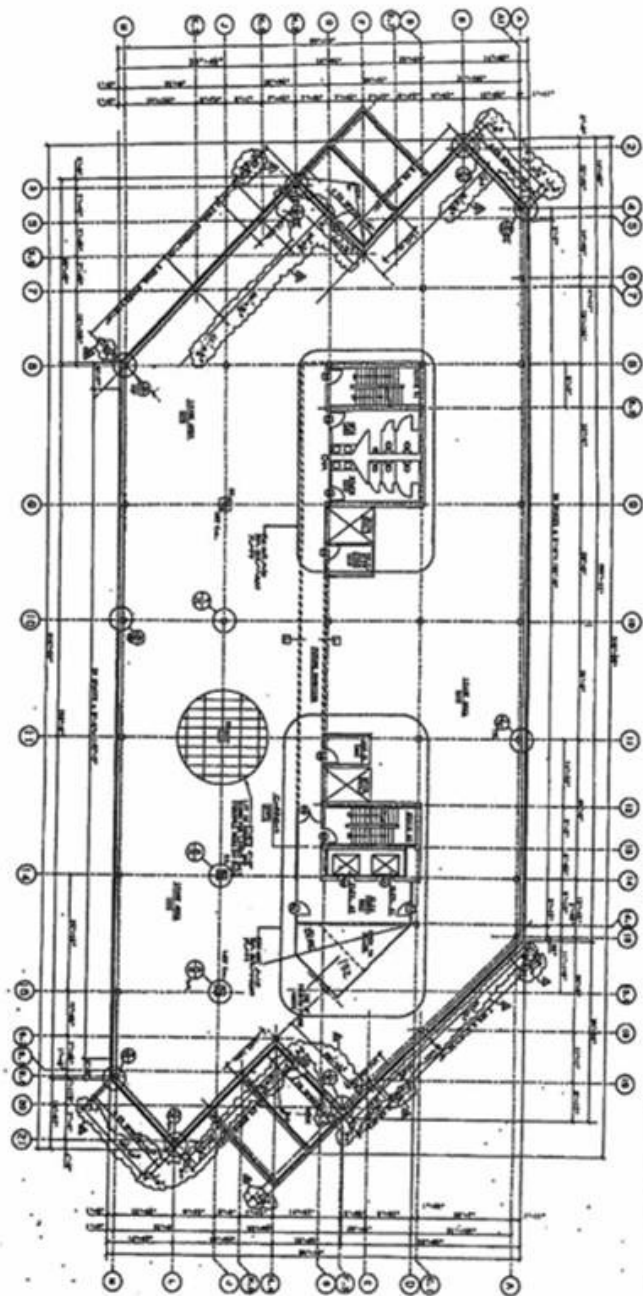


TWO PARAGON CENTRE
LOUISVILLE, KENTUCKY

PROJECT CHIEF STEVEN BARNETT BLANCH	DESIGNER CIVIL ENGINEER LAWRENCE
ARCHITECT AHLBACH & ASSOCIATES, INC.	STRUCTURAL ENGINEER CONSULTANT ENGINEER
MECHANICAL ENGINEER AMERITECHNOLOGICAL, INC.	
ELECTRICAL ENGINEER S.A. HUGHES & ASSOCIATES	



THIRD FLOOR PLAN
SCALE: 1/8" = 1'-0"

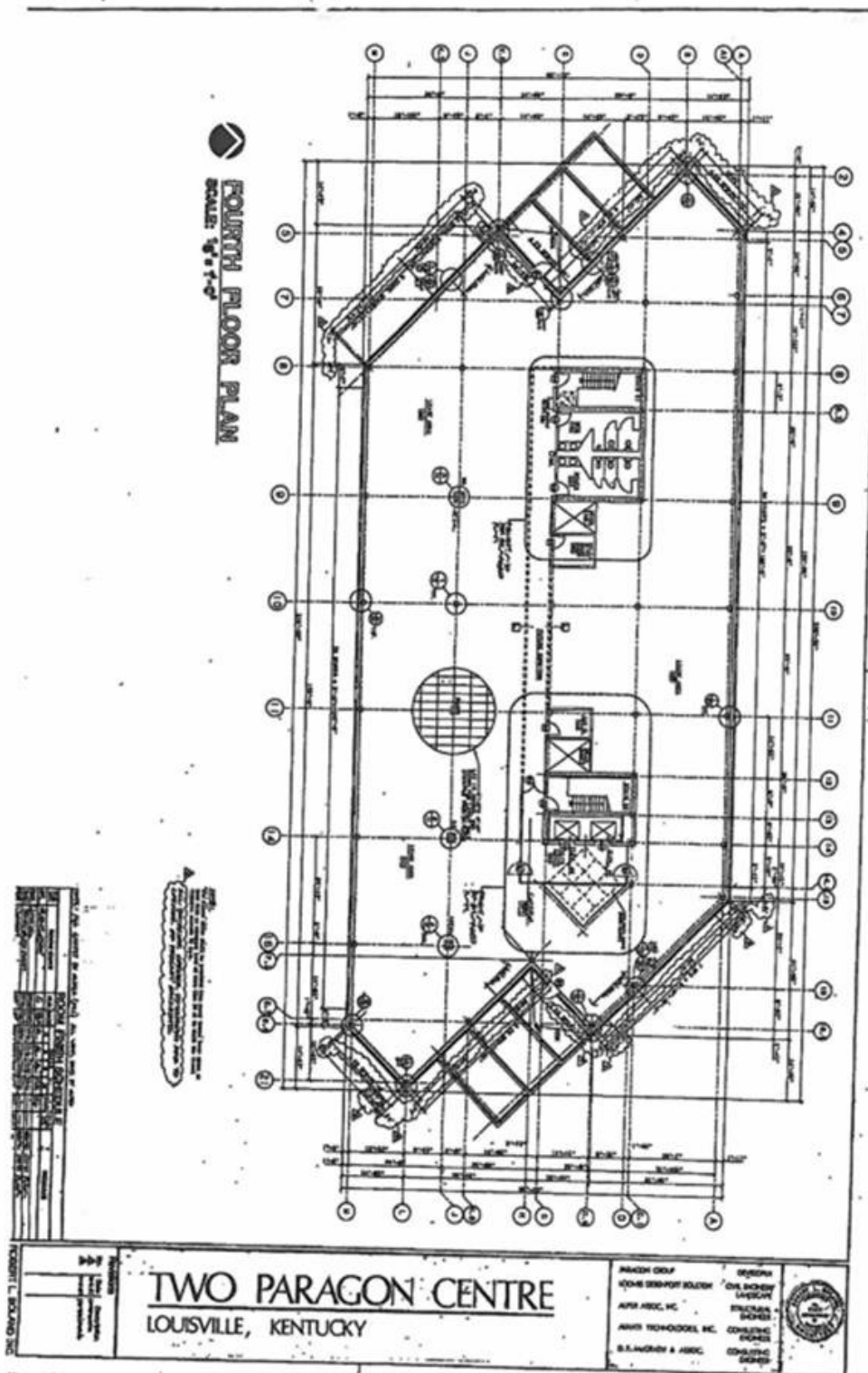


TWO PARAGON CENTRE
LOUISVILLE, KENTUCKY

WILCOX GROUP	DESIGN
LOOM REEFPORT GROUP	ON-SHORE WINDFARM
ALPS ASSESS, INC.	STRUCTURAL ENGINEER
ARMS TECHNOLOGIES, INC.	CONSULTING ENGINEER
D. R. MURPHY & ASSOC.	CONSULTING ENGINEER

DE-SONE
DA-SONE
LAC-SONE
FIR-SONE
COM-SONE
ED-SONE





FIFTH AMENDMENT TO LEASE

This **Fifth Amendment to Lease** ("Fifth Amendment"), is made and entered into as of the 15th day of November, 2013, by and between **Paragon Centre Holdings, LLC**, a Kentucky limited liability company ("Landlord") and **Texas Roadhouse Holdings LLC**, a Kentucky limited liability company ("Tenant");

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into that certain Amended and Restated Lease dated January 1, 2006, a First Amendment to Lease dated December 27, 2006, a Second Amendment to Lease dated May 10, 2007, a Third Amendment to Lease dated September 7, 2007, and a Fourth Amendment to

Lease dated July 22, 2009, (collectively, the "Lease") for the entire building consisting of 65,917.6 square feet of rentable space in Two Paragon Centre, 6040 Dutchmans Lane, Louisville, Kentucky, ("Premises"); and

WHEREAS, Tenant desires to install an exterior door to the mail room in the Premises, and Landlord has agreed to allow said installation based on certain terms and conditions; and

WHEREAS, Landlord and Tenant desire to amend certain terms and conditions of the Lease and evidence their agreements by means of this Fifth Amendment;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereby agree as follows:

1. Tenant shall be allowed to remove windows and install an exterior door into the mail room located in Paragon II as shown in the attached Exhibit A attached hereto and Landlord hereby approves Tenant's contractors and the plans and specifications for such work In accordance with Section 6.1(a) hereof. Said door and any other materials used in the installation will be of the same color and quality as the existing materials in the building and the work will be performed in a good and workmanlike manner; in accordance with accepted building codes and zoning ordinances; and so as not to weaken or impair the strength or lessen the value of the building in which the Premises is located. Tenant shall comply with all provisions of the Americans with Disabilities Act (42 U.S.C. 12101, et seq.) with respect to the alterations of the Premises, so that the Premises are readily accessible to, and usable by, individuals with disabilities.
 2. Upon termination of Tenant's Lease, Tenant agrees to restore the interior and exterior of the Premises and building to the condition it was in prior to this alteration by removing the door and reinstalling windows, framing, drywall, window sills, and any other materials necessary to restore both the interior and exterior of the Premises, using materials of the same in a good and workmanlike manner; in accordance with accepted building codes and zoning ordinances; and so as not weaken or impair the strength or lessen the value of the building in which the Premises is located. Tenant shall comply with all provisions of the Americans with Disabilities Act (42 U.S.C. 12101, et seq.) with respect to the alterations of the
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Premises, so that the Premises are readily accessible to, and usable by, individuals with disabilities.

3. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
4. This Fifth Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

EXCEPT AS expressly amended and modified hereby, the Lease shall otherwise remain in full force and effect, the parties hereto ratifying and confirming the same, including without limitation the Special Stipulations detailed in Exhibit C of the Lease. To the extent of any inconsistency between the Lease and this Fifth Amendment, the terms of this Fifth Amendment shall control as to the subject matter covered herein.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Fifth Amendment as of the date and year first above written.

LANDLORD:
PARAGON CENTRE
HOLDINGS, LLC
A Kentucky limited liability
company

By: /s/ David W. Nicklies
David W. Nicklies, Manager

TENANT:
TEXAS ROADHOUSE
HOLDINGS LLC
A Kentucky limited liability
company

By: Texas Roadhouse, Inc., a Delaware
corporation, its Manager

By: /s/ G. Price Cooper
G. Price Cooper, IV, Chief Financial Officer

EXHIBIT A

PLANS AND SPECIFICATIONS FOR TENANT'S WORK



**2015 EMPLOYMENT AGREEMENT
(W. Kent Taylor)**

THIS 2015 EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the date of execution by both parties by and between TEXAS ROADHOUSE MANAGEMENT CORP., a Kentucky corporation (the "Company"), and W. KENT TAYLOR, a resident of the Commonwealth of Kentucky ("Executive").

RECITALS

A. The Executive is currently employed as the Chairman, Chief Executive Officer of Texas Roadhouse, Inc. pursuant to an Amended and Restated Employment Agreement dated January 8, 2012, as amended by that First Amendment to Amended and Restated Employment Agreement entered into as of November 30, 2012, (the "Existing Employment Agreement").

B. Executive and the Company each desire to replace the Existing Employment Agreement with this Agreement.

AGREEMENT

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

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective January 8, 2015 (the "Effective Date").

2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on January 7, 2018 (the "Third Anniversary Date"), which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year thereafter (which term together with any such extensions, if any, shall be hereinafter defined as the "Term"), unless the Executive's employment terminates earlier in accordance with Section 9 hereof. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.

3. *Position and Duties.*

(a) *Employment with the Company.* While Executive is employed by the Company during the Term, Executive shall be employed as the Chairman, Chief Executive Officer of Texas Roadhouse, Inc., and such other titles as the Company may designate, and shall perform such duties and responsibilities as the Company shall assign

to him from time to time, including duties and responsibilities relating to Texas Roadhouse, Inc.'s wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of his ability and shall devote his full working time, attention and efforts to the business of the Company during his employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the Board of Directors of Texas Roadhouse, Inc. (the "Board"). Executive hereby represents and confirms that he is under no contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Agreement. During his employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and he may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of his duties and responsibilities hereunder.

4. *Compensation.*

(a) *Base Salary.* While Executive is employed by the Company during the Term, the Company shall pay to Executive a base salary at the rate of Five Hundred Twenty-five Thousand and 00/100 Dollars (\$525,000.00) per fiscal year, less deductions and withholdings, which base salary shall be paid in accordance with the Company's normal payroll policies and procedures. If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's base salary may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(b) *Incentive Bonus.* Commencing with the Company's 2015 fiscal year and for each full fiscal year thereafter that Executive is employed by the Company during the Term, Executive shall be eligible for an annual incentive bonus, to be paid annually, based upon achievement of defined goals established by the Compensation Committee of the Board and in accordance with the terms of any incentive plan of the Company in effect from time to time (the "Incentive Bonus").

(i) The level of achievement of the objectives each fiscal year and the amount payable as Incentive Bonus shall be determined in good faith by the Compensation Committee of the Board. Any Incentive Bonus earned for a fiscal year shall be paid to Executive in a single lump sum on or before the date that is 2 ½ months following the last day of such fiscal year.

(ii) Subject to the achievement of the goals established by the Compensation Committee, as determined by the Compensation Committee, for each fiscal year of this Agreement, Executive shall be eligible for an annual target incentive bonus of Five Hundred Twenty-five Thousand and 00/100 Dollars (\$525,000.00). If the

Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's annual target incentive bonus may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(c) *Stock Awards.*

(i) *Service Stock Award.* Pursuant to Section 6 of the Texas Roadhouse, Inc. 2013 Long Term Incentive Plan (the "Equity Incentive Plan") in place on the Effective Date, the Executive shall be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 45,000 shares of the common stock of Texas Roadhouse, Inc. (the "Service Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Service Stock Award shall be granted to the Executive on the date it is fully executed.

The Service Stock Award shall vest in installments, provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan, as follows:

On the first anniversary date of the grant	15,000
January 8, 2017	15,000
January 8, 2018	15,000

(ii) *Performance Stock Award.* The Executive shall be also granted a stock bonus award whereby the Executive has the conditional right to receive upon vesting a target performance stock award of 85,000 shares of the common stock of Texas Roadhouse, Inc. subject to the achievement of goals for fiscal year 2015 established by the Compensation Committee, as determined by the Compensation Committee (the "Performance Stock Award"). The grant will be made on the Effective Date, provided this Agreement has been fully executed by both the Executive and the Company and the Compensation Committee has established the goals and the performance standards for achieving the Performance Stock Award. If this Agreement has not been fully executed by the Effective Date, or the Compensation Committee has not established the goals and the performance standards for achieving the Performance Stock Award, the Performance Stock Award shall be granted to the Executive on the date both such conditions have been met.

The Executive may be granted additional Performance Stock Awards for the second and third years of the Term upon the recommendation of the Compensation Committee in amounts and upon terms and conditions to be established by the Compensation Committee.

The Compensation Committee will establish the goals for a fiscal year in writing as soon as practicable after the beginning of a fiscal year, but not later than ninety

(90) days after the beginning of a fiscal year, and in no event after twenty-five percent (25%) of the applicable fiscal year has elapsed.

The Performance Stock Award for fiscal year 2015 shall vest on the first anniversary date of the grant, provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan. Performance Stock Awards for subsequent fiscal years, if any, shall vest on the date or dates established by the Compensation Committee, but not sooner than the first anniversary of the date of the grant. Notwithstanding the foregoing, shares associated with Performance Stock Awards shall not be issued to the Executive until the amount of the award is determined by the Compensation Committee, which determination will be made within a reasonable time after the end of a fiscal year and after the Company's financial results for the fiscal year have been made public, but not later than the March 15th following the fiscal year for which the performance goals apply. Until the issuance of such shares, Executive shall not be entitled to vote the shares, shall not be entitled to receive dividends attributable to such shares, and shall not have any other rights as a shareholder with respect to such shares. If the Executive's service to the Company ceases for any reason after the vesting date, but before the date the shares are issued, the Executive shall retain the rights to the vested shares.

If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's Performance Stock Award may be reviewed by the Compensation Committee to determine whether it should be adjusted.

(iii) If Executive's employment is terminated by the Company without Cause (as defined below) following a Change in Control (as defined below) and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason (as defined below) within 12 months following a Change in Control and before the end of the Term, or prior to a Change of Control at the direction of a person who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(h), all options or stock awards granted under any stock option and stock incentive plans of the Company that are outstanding as of the date of termination shall become immediately vested, and in the case of stock options, shall immediately become exercisable in full and shall remain exercisable until the earlier of (A) two years after termination of Executive's employment by the Company or (B) the option expiration date as set forth in the applicable option agreement. In addition, if the Executive's employment is terminated under the circumstances described in this Section 4(c)(iii) and if the Executive has not been granted a Performance Stock Award for either or both of the second and third years of the Term, the Executive shall be issued 85,000 shares of the common stock of Texas Roadhouse, Inc. for the year or years for which a Performance Stock Award was not previously granted, which shares are immediately vested on the Termination Date (as defined below).

- (iv) A “Change of Control” shall mean that one of the following events has taken place at any time during the Term:
- (A) The stockholders of the Company approve one of the following:
- (I) Any merger or statutory plan of exchange involving the Company (“Merger”) in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, \$0.001 par value (“Common Stock”) would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger; or
- (II) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution;
- (B) During any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board of Directors cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period;
- (C) A tender or exchange offer, other than one made by:
- (I) the Company, or by
- (II) W. Kent Taylor or any corporation, limited liability company, partnership, or other entity in which W. Kent Taylor (x) owns a direct or indirect ownership of 50% or more or (y) controls 50% or more of the voting power (collectively, the “Taylor Parties”)

is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), directly or indirectly, of securities representing in excess of the greater of (a) at least 20 percent of the voting power of outstanding securities of the Company or (b) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or

(D) Any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of (i) 20 percent of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or (ii) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

For purposes of this Section 4(c)(iv), the term "Company" shall mean Texas Roadhouse, Inc.

(v) A termination by Executive for "Good Reason" shall mean a termination based on:

(A) the assignment to Executive of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a reduction by the Company or the surviving company in Executive's base pay as in effect immediately prior to the Change of Control;

(C) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company ("Successor") the assent to this Agreement contemplated by Section 13(g) hereof;

which is not cured within 30 days after Executive has delivered written notice of such condition to the Employer. In each case, Executive must give the Company notice of the condition within 90 days of the initial existence of the condition, and the separation from service must occur within a period of time not to exceed two years (or such shorter period as provided herein) following the initial existence of one or more of the conditions set forth above, or any termination will not be considered to be for Good Reason.

(d) *Benefits.* While Executive is employed by the Company during the Term, Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to employees generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company during the Term, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by him in the performance of his duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expense verification and documentation. Any reimbursements made under this Section 4(e) will be paid on or before the last day of the Executive's taxable year following the taxable year in which the expense is incurred.

(f) RESERVED

(g) *Clawback Provisions.* Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation, or any other compensation, paid or payable to Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Company adopted pursuant to any such law, government, regulation, order or stock exchange listing requirement). Executive specifically authorizes the Company to withhold from his future wages any amounts that may become due under this provision. Notwithstanding the foregoing, Executive's authorization to withhold amounts from future wages that may become due under this provision does not apply and is specifically rescinded in the event of a Change in Control. This section 4(g) shall survive the termination of this Agreement for a period of three (3) years.

5. *Affiliated Entities.* As used in this Agreement, "Company" shall include the Company, Texas Roadhouse, Inc. and each corporation, limited liability company, partnership, or other entity that is controlled by Texas Roadhouse, Inc., or is under common control with the Texas Roadhouse, Inc. (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

6. *Confidential Information; Non-Disparagement.*

(a) Except as required in the performance of Executive's duties as an employee of the Company or as authorized in writing by the Board, Executive shall not, either during Executive's employment with the Company or at any time thereafter, use, disclose or make accessible to any person any confidential information for any purpose. "Confidential Information" means information proprietary to the Company or its suppliers or prospective suppliers and not generally known (including trade secret information) about the Company's suppliers, products, services, personnel, customers, recipes, pricing, sales strategies, technology, computer software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, and plans. All information disclosed to Executive or to which Executive obtains access, whether originated by Executive or by others, during the period of Executive's employment by the Company (whether before, during, or after the Term), shall be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if Executive has a reasonable basis to believe it to be Confidential Information. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. During Executive's employment with the Company, Executive shall refrain from committing any acts that would materially reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, or (ii) is required to be disclosed by law or legal process, other than as a direct or indirect result of the breach of this Agreement by Executive. Executive acknowledges that the obligations imposed by this Section 6 are in addition to, and not in place of, any obligations imposed by applicable statutory or common law.

(b) Executive shall not at any time during the Term and during the Restricted Period (as defined below), or after the Term disparage the Company, any of its affiliates and any of their respective officers and directors, and shall not, without the prior written consent of the Company, disclose any information he may have learned during employment with the Company, including, but not limited to, any personal or financial information about an officer or director or his or her family member(s).

7. *Noncompetition Covenant.*

(a) *Agreement Not to Compete.* During Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, on his own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, engage in any business that is directly competitive

with the business of the Company, including without limitation any business that operates one or more full-service, casual dining steakhouse restaurants, within the 50 United States or any foreign country in which the Company or its franchisees or its joint venture partners is operating or in which the Executive knows the Company or its franchisees or its joint venture partners contemplates commencing operations during the Restricted Period. The provisions of this Section 7(a) shall also apply to any business which is directly competitive with any other business which the Company acquires or develops during Executive's employment with the Company.

(b) *Agreement Not to Hire.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, hire, engage or solicit or induce or attempt to induce to cease working for the Company, any person who is then an employee of the Company or who was an employee of the Company during the six (6) month period immediately preceding Executive's termination of employment with the Company.

(c) *Agreement Not to Solicit.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, solicit, request, advise, induce or attempt to induce any vendor, supplier or other business contact of the Company to cancel, curtail, cease doing business with, or otherwise adversely change its relationship with the Company.

(d) *Restricted Period.* "Restricted Period" hereunder means the period commencing on the last day of Executive's employment with the Company and ending on the date that is two years following the last day of the Term.

(i) In the event the Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement, and before the end of the Term of this Agreement, the Restricted Period will begin on the last day of the Executive's employment with the Company and end on the date the last payment of the current base salary is made to the Executive pursuant to paragraph 10(c).

(e) *Acknowledgment.* Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor. Therefore, in the event that Executive violates any provision of this Section 7, the Company shall be entitled to an injunction, in addition to all the other remedies it may have, restraining Executive from violating or continuing to violate such provision.

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(f) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this Section 7 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 shall be given the construction that renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(g) *Permitted Equity Ownership.* Ownership by Executive, as a passive investment, of less than 2.5% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7.

8. *Intellectual Property.*

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

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

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any idea, invention, copyrightable matter, or other property relating to

the Company's business and disclosed by Executive prior to the first anniversary of the effective date of Executive's termination of employment shall be deemed to be governed by the terms of this Section 8 unless proven by Executive to have been first conceived and made after such termination date.

(d) *Non-Applicability.* Executive is hereby notified that this Section 8 does not apply to any invention for which no equipment, supplies, facility, Confidential Information, or other trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates (A) directly to the business of the Company or (B) to the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

9. *Termination of Employment.*

(a) Executive's employment with the Company shall terminate immediately upon:

- (i) Executive's receipt of written notice from the Company of the termination of his employment;
- (ii) the Company's receipt of Executive's written or oral resignation from the Company;
- (iii) Executive's Disability (as defined below); or
- (iv) Executive's death.

(b) The date upon which Executive's termination of employment with the Company occurs shall be the "Termination Date."

Provided that, for purposes of the timing of payments triggered by the Termination Date under Section 10, the Termination Date shall not be considered to have occurred until the date the Executive and the Company reasonably anticipate that (i) Executive will not perform any further services for the Company or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Internal Revenue Code (but substituting 50% for 80% in the application thereof) (the "Employer Group"), or (ii) the level of bona fide services Executive will perform for the Employer Group after that date will permanently decrease to less than 20% of the average level of bona fide services performed over the previous 36 months (or if shorter over the duration of service). For this purpose, service performed as an employee or as an independent contractor is counted, except that service as a member of the board of directors of an Employer Group entity is not counted unless termination benefits under this Employment Agreement are aggregated with benefits under any other Employer Group plan or agreement in which Executive also participates as a director. Executive will not be treated as having a termination of his employment while he is on military leave, sick leave or other bona fide

leave of absence if the leave does not exceed six months or, if longer, the period during which Executive has a reemployment right under statute or contract. If a bona fide leave of absence extends beyond six months, Executive's employment will be considered to terminate on the first day after the end of such six month period, or on the day after Executive's statutory or contractual reemployment right lapses, if later. The Company will determine when Executive's Termination Date occurs based on all relevant facts and circumstances, in accordance with Treasury Regulation Section 1.409A-1(h).

10. *Payments upon Termination of Employment.*

- (a) If Executive's employment with the Company is terminated by reason of:
 - (i) Executive's abandonment of his employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);
 - (ii) termination of Executive's employment by the Company for Cause (as defined below); or
 - (iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive his then-current base salary through the Termination Date.

(b) Except in the case of a Change in Control, which is governed by Section 10(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section 10(h) of this Agreement:

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year; and
- (iii) a crisp \$100 bill from the Board.

Any amount payable to Executive pursuant to Section 10(b)(ii) shall be paid to Executive by the Company in the same manner and at the same time that Incentive Bonus payments

are made to current named executive officers of Texas Roadhouse, Inc., as that term is applied by Texas Roadhouse, Inc. in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "Named Executive Officers"), but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section 10(h) of this Agreement, an amount equal to his then current base salary and incentive bonus through the end of Term of the Agreement, paid in the same periodic installments in accordance with the Company's regular payroll practices, but in no event will the Company pay the Executive less than one year of his current base salary and incentive bonus. At the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(c) may be paid in a lump sum.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or his beneficiary or his estate, as the case may be;

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$262,500.00.

Any amount payable to Executive pursuant to Section 10(d)(iii) shall be subject to deductions and withholdings and shall be paid to Executive or his estate or beneficiary by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code

Section 409A, amounts payable pursuant to Section 10(d)(iii) may be paid in a lump sum. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(ii) shall be paid to Executive or his estate or beneficiary by the Company in the same manner and at the same time that Incentive Bonus payments are made to current Named Executive Officers, but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(iv) shall be paid in a lump sum.

(e) “Cause” hereunder shall mean:

- (i) an act or acts of dishonesty undertaken by Executive and intended to result in substantial gain or personal enrichment of Executive at the expense of the Company;
- (ii) unlawful conduct or gross misconduct that is willful and deliberate on Executive’s part and that, in either event, is materially injurious to the Company;
- (iii) the conviction of Executive of a felony;
- (iv) material and deliberate failure of Executive to perform his duties and responsibilities hereunder or to satisfy his obligations as an officer or employee of the Company, which failure has not been cured by Executive within ten days after written notice thereof to Executive from the Company; or
- (v) material breach of any terms and conditions of this Agreement by Executive not caused by the Company, which breach has not been cured by Executive within ten days after written notice thereof to Executive from the Company.

(f) “Disability” hereunder shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 45 days or more during any 360-day period. A period of inability shall be “uninterrupted” unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(g) In the event of termination of Executive’s employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by Sections 10(a), 10(b), 10(c) or 10(d) hereof, as the case may be, and the Company shall have no other obligation to Executive or to his beneficiary or his estate, except as otherwise provided by law.

(h) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section 10(b)(ii), (iii) or (iv) or 10(c) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Board, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement as of the dates of the payments. Executive must execute and deliver such release to the Company no later than the date specified by the Company and in no event later than 50 days following Executive's Termination Date, and the release will be delivered by the Company to the Executive at least 21 days (45 days where the Executive is required to be given 45 days to review and consider the release) before the deadline set for its return. For purposes of this Agreement and the determination of the date on which payments or benefits will commence, the applicable rescission period of a release shall be deemed to expire on the 60th day following the Executive's termination of employment unless payment may be made based on an earlier rescission expiration date in compliance with Code Section 409A.

11. *Return of Property.* Upon termination of Executive's employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example, computers, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by him of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

13. *Miscellaneous.*

(a) *Governing Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles. Any action relating to this Agreement shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

(b) *Jurisdiction and Law.* Executive and the Company consent to jurisdiction of the courts of the Commonwealth of Kentucky and/or the federal district courts, Western District of Kentucky, for the purpose of resolving all issues of law, equity, or fact, arising out of or in connection with this Agreement. Any action involving

claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Kentucky and hereby waives any defense of lack of personal jurisdiction or *forum non conveniens*. Venue, for the purpose of all such suits, shall be in Jefferson County, Commonwealth of Kentucky.

(c) *Entire Agreement.* Except for any written stock option or stock award agreement and related agreements between Executive and the Company, this Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter including without limitation the Existing Employment Agreement, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein. As of the Effective Date, the Existing Employment Agreement shall terminate and be of no further force or effect; provided, however, any obligations of Executive or the Company arising under the Existing Employment Agreement prior to the Effective Date shall survive such termination.

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

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section 13(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 13.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

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

(j) *Survival.* The terms and conditions set forth in Sections 4(g), 5, 6, 7, 8, 9, 10, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

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

(l) *Notices.* Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, at the Company's principal place of business, and if to Executive, at his home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

(m) *Six Month Delay.* Notwithstanding anything herein to the contrary, if the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) (or any successor thereto) on his Termination Date, any payments hereunder that are triggered by termination of employment and which are not exempt as separation pay under Treasury Regulation Section 1.409A-1(b)(9) or as short-term deferral pay, shall not begin to be paid until six months after his Termination Date, and at that time, the Executive will receive in one lump sum payment of all the payments that would have otherwise been paid to the Executive during the first six months following the Executive's Termination Date. The Company shall determine, consistent with any guidance issued under Code Section 409A, the portion of payments that are required to be delayed, if any.

(n) *409A Compliance.* The Executive and the Company agree and confirm that this Employment Agreement is intended by both parties to provide for compensation that is exempt from Code Section 409A as separation pay (up to the Code Section 409A limit) or as a short-term deferral, and to be compliant with Code Section 409A with respect to additional severance compensation and bonus compensation. This Agreement shall be interpreted, construed, and administered in accordance with this agreed intent, provided that the Company does not promise or warrant any tax treatment of compensation hereunder. Executive is responsible for obtaining advice regarding all questions to federal, state, or local income, estate, payroll, or other tax consequences

arising from participation herein. This Agreement shall not be amended or terminated in a manner that would accelerate or delay payment of severance pay or bonus pay except as permitted under Treasury Regulations under Code Section 409A.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 8th day of January, 2015.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ Scott M. Colosi

Printed Name: Scott M. Colosi

Title: President

W. KENT TAYLOR

/s/ W. Kent Taylor

2015 EMPLOYMENT AGREEMENT
(Scott M. Colosi)

THIS 2015 EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the date of execution by both parties by and between TEXAS ROADHOUSE MANAGEMENT CORP., a Kentucky corporation (the "Company"), and SCOTT M. COLOSI, a resident of the Commonwealth of Kentucky ("Executive").

RECITALS

A. The Executive is currently employed as the President of Texas Roadhouse, Inc. pursuant to an Amended and Restated Employment Agreement dated January 8, 2012, as amended by that First Amendment to Amended and Restated Employment Agreement entered into as of November 30, 2012 (the "Existing Employment Agreement").

B. Executive and the Company each desire to replace the Existing Employment Agreement with this Agreement.

AGREEMENT

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

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective January 8, 2015 (the "Effective Date").

2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on January 7, 2018 (the "Third Anniversary Date"), which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year thereafter (which term together with any such extensions, if any, shall be hereinafter defined as the "Term"), unless the Executive's employment terminates earlier in accordance with Section 9 hereof. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.

3. *Position and Duties.*

(a) *Employment with the Company.* While Executive is employed by the Company during the Term, Executive shall be employed as the President of Texas Roadhouse, Inc., and such other titles as the Company may designate, and shall perform such duties and responsibilities as the Company shall assign to him from time to time,

including duties and responsibilities relating to Texas Roadhouse, Inc.'s wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of his ability and shall devote his full working time, attention and efforts to the business of the Company during his employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the Chairman, Chief Executive Officer or to such other person as designated by the Board of Directors of Texas Roadhouse, Inc. (the "Board"). Executive hereby represents and confirms that he is under no contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Agreement. During his employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and he may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of his duties and responsibilities hereunder.

4. *Compensation.*

(a) *Base Salary.* While Executive is employed by the Company during the Term, the Company shall pay to Executive a base salary at the rate of Four Hundred Fifty Thousand and 00/100 Dollars (\$450,000.00) per fiscal year, less deductions and withholdings, which base salary shall be paid in accordance with the Company's normal payroll policies and procedures. If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's base salary may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(b) *Incentive Bonus.* Commencing with the Company's 2015 fiscal year and for each full fiscal year thereafter that Executive is employed by the Company during the Term, Executive shall be eligible for an annual incentive bonus, to be paid annually, based upon achievement of defined goals established by the Compensation Committee of the Board and in accordance with the terms of any incentive plan of the Company in effect from time to time (the "Incentive Bonus").

(i) The level of achievement of the objectives each fiscal year and the amount payable as Incentive Bonus shall be determined in good faith by the Compensation Committee of the Board. Any Incentive Bonus earned for a fiscal year shall be paid to Executive in a single lump sum on or before the date that is 2 ½ months following the last day of such fiscal year.

(ii) Subject to the achievement of the goals established by the Compensation Committee, as determined by the Compensation Committee, for each fiscal year of this Agreement, Executive shall be eligible for an annual target incentive

bonus of Three Hundred Fifty Thousand and 00/100 Dollars (\$350,000.00). If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's annual target incentive bonus may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(c) *Stock Awards.*

(i) *Service Stock Award.* Pursuant to Section 6 of the Texas Roadhouse, Inc. 2013 Long Term Incentive Plan (the "Equity Incentive Plan") in place on the Effective Date, the Executive shall be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 60,000 shares of the common stock of Texas Roadhouse, Inc. (the "Service Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Service Stock Award shall be granted to the Executive on the date it is fully executed.

The Service Stock Award shall vest in installments, provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan, as follows:

On the first anniversary date of the grant	20,000
January 8, 2017	20,000
January 8, 2018	20,000

(ii) *Retention Stock Award.* The Executive shall also be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 20,000 shares of the common stock of Texas Roadhouse, Inc. (the "Retention Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Retention Stock Award shall be granted to the Executive on the date it is fully executed.

The Retention Stock Award shall vest on January 8, 2018 provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan.

(iii) *Performance Stock Award.* The Executive shall be also granted a stock bonus award whereby the Executive has the conditional right to receive upon vesting a target performance stock award of 30,000 shares of the common stock of Texas Roadhouse, Inc. subject to the achievement of goals for fiscal year 2015 established by the Compensation Committee, as determined by the Compensation Committee (the "Performance Stock Award"). The grant will be made on the Effective Date, provided this Agreement has been fully executed by both the Executive and the Company and the Compensation Committee has established the goals and the performance standards for achieving the Performance Stock Award. If this Agreement

has not been fully executed by the Effective Date, or the Compensation Committee has not established the goals and the performance standards for achieving the Performance Stock Award, the Performance Stock Award shall be granted to the Executive on the date both such conditions have been met.

The Executive may be granted additional Performance Stock Awards for the second and third years of the Term upon the recommendation of the Compensation Committee in amounts and upon terms and conditions to be established by the Compensation Committee.

The Compensation Committee will establish the goals for a fiscal year in writing as soon as practicable after the beginning of a fiscal year, but not later than ninety (90) days after the beginning of a fiscal year, and in no event after twenty-five percent (25%) of the applicable fiscal year has elapsed.

The Performance Stock Award for fiscal year 2015 shall vest on the first anniversary date of the grant, provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan. Performance Stock Awards for subsequent fiscal years, if any, shall vest on the date or dates established by the Compensation Committee, but not sooner than the first anniversary of the date of the grant. Notwithstanding the foregoing, shares associated with Performance Stock Awards shall not be issued to the Executive until the amount of the award is determined by the Compensation Committee, which determination will be made within a reasonable time after the end of a fiscal year and after the Company's financial results for the fiscal year have been made public, but not later than the March 15th following the fiscal year for which the performance goals apply. Until the issuance of such shares, Executive shall not be entitled to vote the shares, shall not be entitled to receive dividends attributable to such shares, and shall not have any other rights as a shareholder with respect to such shares. If the Executive's service to the Company ceases for any reason after the vesting date, but before the date the shares are issued, the Executive shall retain the rights to the vested shares.

If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's Performance Stock Award may be reviewed by the Compensation Committee to determine whether it should be adjusted.

(iv) If Executive's employment is terminated by the Company without Cause (as defined below) following a Change in Control (as defined below) and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason (as defined below) within 12 months following a Change in Control and before the end of the Term, or prior to a Change of Control at the direction of a person who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(h), all options or stock awards granted under any stock option and stock

incentive plans of the Company that are outstanding as of the date of termination shall become immediately vested, and in the case of stock options, shall immediately become exercisable in full and shall remain exercisable until the earlier of (A) two years after termination of Executive's employment by the Company or (B) the option expiration date as set forth in the applicable option agreement. In addition, if the Executive's employment is terminated under the circumstances described in this Section 4(c)(iv) and if the Executive has not been granted a Performance Stock Award for either or both of the second and third years of the Term, the Executive shall be issued 30,000 shares of the common stock of Texas Roadhouse, Inc. for the year or years for which a Performance Stock Award was not previously granted, which shares are immediately vested on the Termination Date (as defined below).

(v) A "Change of Control" shall mean that one of the following events has taken place at any time during the Term:

(A) The stockholders of the Company approve one of the following:

(I) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, \$0.001 par value ("Common Stock") would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger; or

(II) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution;

(B) During any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board of Directors cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period;

(C) A tender or exchange offer, other than one made by:

(I) the Company, or by

(II) W. Kent Taylor or any corporation, limited liability company, partnership, or other entity in which W. Kent Taylor (x) owns a direct or indirect ownership of 50% or more or (y) controls

50% or more of the voting power (collectively, the “Taylor Parties”)

is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), directly or indirectly, of securities representing in excess of the greater of (a) at least 20 percent of the voting power of outstanding securities of the Company or (b) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or

(D) Any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of (i) 20 percent of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or (ii) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

For purposes of this Section 4(c)(v), the term “Company” shall mean Texas Roadhouse, Inc.

(vi) A termination by Executive for “Good Reason” shall mean a termination based on:

(A) the assignment to Executive of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a reduction by the Company or the surviving company in Executive’s base pay as in effect immediately prior to the Change of Control;

(C) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company ("Successor") the assent to this Agreement contemplated by Section 13(g) hereof;

which is not cured within 30 days after Executive has delivered written notice of such condition to the Employer. In each case, Executive must give the Company notice of the condition within 90 days of the initial existence of the condition, and the separation from service must occur within a period of time not to exceed two years (or such shorter period as provided herein) following the initial existence of one or more of the conditions set forth above, or any termination will not be considered to be for Good Reason.

(d) *Benefits.* While Executive is employed by the Company during the Term, Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to employees generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company during the Term, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by him in the performance of his duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expense verification and documentation. Any reimbursements made under this Section 4(e) will be paid on or before the last day of the Executive's taxable year following the taxable year in which the expense is incurred.

(f) *Vacations and Holidays.* Executive shall be entitled to be absent from his duties for the Company by reason of vacation for a period of four weeks per fiscal year, or such longer period as the Company allows based on employment tenure with the Company. The Executive's vacation time each fiscal year will accrue in accordance with the Company's normal policies and procedures. Executive shall coordinate his vacation schedule with the Company so as not to impose an undue burden on the Company. In addition, Executive shall be entitled to such national and religious holidays as the Company shall approve for all of its employees from time to time.

(g) *Clawback Provisions.* Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation, or any other compensation, paid or payable to Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Company adopted pursuant to any such law, government, regulation, order or stock exchange listing requirement). Executive specifically authorizes the Company to withhold from his future wages any amounts that may become due under this provision. Notwithstanding the foregoing, Executive's authorization to withhold amounts from future wages that may become due under this provision does not apply and is specifically rescinded in the event of a Change in Control. This section 4(g) shall survive the termination of this Agreement for a period of three (3) years.

5. *Affiliated Entities.* As used in this Agreement, "Company" shall include the Company, Texas Roadhouse, Inc. and each corporation, limited liability company, partnership, or other entity that is controlled by Texas Roadhouse, Inc., or is under common control with the Texas Roadhouse, Inc. (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

6. *Confidential Information; Non-Disparagement.*

(a) Except as required in the performance of Executive's duties as an employee of the Company or as authorized in writing by the Board, Executive shall not, either during Executive's employment with the Company or at any time thereafter, use, disclose or make accessible to any person any confidential information for any purpose. "Confidential Information" means information proprietary to the Company or its suppliers or prospective suppliers and not generally known (including trade secret information) about the Company's suppliers, products, services, personnel, customers, recipes, pricing, sales strategies, technology, computer software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, and plans. All information disclosed to Executive or to which Executive obtains access, whether originated by Executive or by others, during the period of Executive's employment by the Company (whether before, during, or after the Term), shall be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if Executive has a reasonable basis to believe it to be Confidential Information. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. During Executive's employment with the Company, Executive shall refrain from committing any acts that would materially reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, or (ii) is required to be disclosed by law

or legal process, other than as a direct or indirect result of the breach of this Agreement by Executive. Executive acknowledges that the obligations imposed by this Section 6 are in addition to, and not in place of, any obligations imposed by applicable statutory or common law.

(b) Executive shall not at any time during the Term and during the Restricted Period (as defined below), or after the Term disparage the Company, any of its affiliates and any of their respective officers and directors, and shall not, without the prior written consent of the Company, disclose any information he may have learned during employment with the Company, including, but not limited to, any personal or financial information about an officer or director or his or her family member(s).

7. *Noncompetition Covenant.*

(a) *Agreement Not to Compete.* During Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, on his own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, engage in any business that is directly competitive with the business of the Company, including without limitation any business that operates one or more full-service, casual dining steakhouse restaurants, within the 50 United States or any foreign country in which the Company or its franchisees or its joint venture partners is operating or in which the Executive knows the Company or its franchisees or its joint venture partners contemplates commencing operations during the Restricted Period. The provisions of this Section 7(a) shall also apply to any business which is directly competitive with any other business which the Company acquires or develops during Executive's employment with the Company.

(b) *Agreement Not to Hire.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, hire, engage or solicit or induce or attempt to induce to cease working for the Company, any person who is then an employee of the Company or who was an employee of the Company during the six (6) month period immediately preceding Executive's termination of employment with the Company.

(c) *Agreement Not to Solicit.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, solicit, request, advise, induce or attempt to induce any vendor, supplier or other business contact of the Company to cancel, curtail, cease doing business with, or otherwise adversely change its relationship with the Company.

(d) *Restricted Period.* “Restricted Period” hereunder means the period commencing on the last day of Executive’s employment with the Company and ending on the date that is two years following the last day of the Term.

(i) In the event the Executive’s employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement, and before the end of the Term of this Agreement, the Restricted Period will begin on the last day of the Executive’s employment with the Company and end on the date the last payment of the current base salary is made to the Executive pursuant to paragraph 10(c).

(e) *Acknowledgment.* Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor. Therefore, in the event that Executive violates any provision of this Section 7, the Company shall be entitled to an injunction, in addition to all the other remedies it may have, restraining Executive from violating or continuing to violate such provision.

(f) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this Section 7 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 shall be given the construction that renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(g) *Permitted Equity Ownership.* Ownership by Executive, as a passive investment, of less than 2.5% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7.

8. *Intellectual Property.*

(a) *Disclosure and Assignment.* As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while he is employed by the Company, and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others while he is employed by the Company that relates to the Company’s business (collectively, “Creations”). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Creation. Every copyrightable Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a “work made for hire” as defined in 17 U.S.C. § 101, and the Company shall own all rights in and to such

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matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

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

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any idea, invention, copyrightable matter, or other property relating to the Company’s business and disclosed by Executive prior to the first anniversary of the effective date of Executive’s termination of employment shall be deemed to be governed by the terms of this Section 8 unless proven by Executive to have been first conceived and made after such termination date.

(d) *Non-Applicability.* Executive is hereby notified that this Section 8 does not apply to any invention for which no equipment, supplies, facility, Confidential Information, or other trade secret information of the Company was used and which was developed entirely on Executive’s own time, unless (i) the invention relates (A) directly to the business of the Company or (B) to the Company’s actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

9. *Termination of Employment.*

(a) Executive’s employment with the Company shall terminate immediately upon:

- (i) Executive’s receipt of written notice from the Company of the termination of his employment;
- (ii) the Company’s receipt of Executive’s written or oral resignation from the Company;
- (iii) Executive’s Disability (as defined below); or
- (iv) Executive’s death.

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- (b) The date upon which Executive's termination of employment with the Company occurs shall be the "Termination Date."

Provided that, for purposes of the timing of payments triggered by the Termination Date under Section 10, the Termination Date shall not be considered to have occurred until the date the Executive and the Company reasonably anticipate that (i) Executive will not perform any further services for the Company or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Internal Revenue Code (but substituting 50% for 80% in the application thereof) (the "Employer Group"), or (ii) the level of bona fide services Executive will perform for the Employer Group after that date will permanently decrease to less than 20% of the average level of bona fide services performed over the previous 36 months (or if shorter over the duration of service). For this purpose, service performed as an employee or as an independent contractor is counted, except that service as a member of the board of directors of an Employer Group entity is not counted unless termination benefits under this Employment Agreement are aggregated with benefits under any other Employer Group plan or agreement in which Executive also participates as a director. Executive will not be treated as having a termination of his employment while he is on military leave, sick leave or other bona fide leave of absence if the leave does not exceed six months or, if longer, the period during which Executive has a reemployment right under statute or contract. If a bona fide leave of absence extends beyond six months, Executive's employment will be considered to terminate on the first day after the end of such six month period, or on the day after Executive's statutory or contractual reemployment right lapses, if later. The Company will determine when Executive's Termination Date occurs based on all relevant facts and circumstances, in accordance with Treasury Regulation Section 1.409A-1(h).

10. *Payments upon Termination of Employment.*

- (a) If Executive's employment with the Company is terminated by reason of:
- (i) Executive's abandonment of his employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);
 - (ii) termination of Executive's employment by the Company for Cause (as defined below); or
 - (iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive his then-current base salary through the Termination Date.

(b) Except in the case of a Change in Control, which is governed by Section 10(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section 10(h) of this Agreement:

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$175,000.00.

Any amount payable to Executive pursuant to Section 10(b)(iii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(b)(iii) may be paid in a lump sum. Any amount payable to Executive pursuant to Section 10(b)(ii) shall be paid to Executive by the Company in the same manner and at the same time that Incentive Bonus payments are made to current named executive officers of Texas Roadhouse, Inc., as that term is applied by Texas Roadhouse, Inc. in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "Named Executive Officers"), but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive pursuant to Section 10(b)(iv) shall be paid in a lump sum.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section 10(h) of this Agreement, an amount equal to his then current base salary and incentive bonus through the end of Term of the Agreement, paid in the same periodic installments in accordance with the Company's regular payroll practices, but in no event

will the Company pay the Executive less than one year of his current base salary and incentive bonus. At the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(c) may be paid in a lump sum.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or his beneficiary or his estate, as the case may be;

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$175,000.00.

Any amount payable to Executive pursuant to Section 10(d)(iii) shall be subject to deductions and withholdings and shall be paid to Executive or his estate or beneficiary by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(d)(iii) may be paid in a lump sum. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(ii) shall be paid to Executive or his estate or beneficiary by the Company in the same manner and at the same time that Incentive Bonus payments are made to current Named Executive Officers, but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(iv) shall be paid in a lump sum.

(e) "Cause" hereunder shall mean:

- (i) an act or acts of dishonesty undertaken by Executive and intended to result in substantial gain or personal enrichment of Executive at the expense of the Company;

- (ii) unlawful conduct or gross misconduct that is willful and deliberate on Executive's part and that, in either event, is materially injurious to the Company;
- (iii) the conviction of Executive of a felony;
- (iv) material and deliberate failure of Executive to perform his duties and responsibilities hereunder or to satisfy his obligations as an officer or employee of the Company, which failure has not been cured by Executive within ten days after written notice thereof to Executive from the Company; or
- (v) material breach of any terms and conditions of this Agreement by Executive not caused by the Company, which breach has not been cured by Executive within ten days after written notice thereof to Executive from the Company.

(f) "Disability" hereunder shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 45 days or more during any 360-day period. A period of inability shall be "uninterrupted" unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(g) In the event of termination of Executive's employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by Sections 10(a), 10(b), 10(c) or 10(d) hereof, as the case may be, and the Company shall have no other obligation to Executive or to his beneficiary or his estate, except as otherwise provided by law.

(h) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section 10(b)(ii), (iii) or (iv) or 10(c) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Board, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement as of the dates of the payments. Executive must execute and deliver such release to the Company no later than the date specified by the Company and in no event later than 50 days following Executive's Termination Date, and the release will be delivered by the Company to the Executive at least 21 days (45 days where the Executive is required to be given 45 days to review and consider the release) before the deadline set for its return. For purposes of this Agreement and the determination of the date on which payments or benefits will commence, the applicable rescission period of a release shall be deemed to expire on the 60th day following the

Executive's termination of employment unless payment may be made based on an earlier rescission expiration date in compliance with Code Section 409A.

11. *Return of Property.* Upon termination of Executive's employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example, computers, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by him of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

13. *Miscellaneous.*

(a) *Governing Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles. Any action relating to this Agreement shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

(b) *Jurisdiction and Law.* Executive and the Company consent to jurisdiction of the courts of the Commonwealth of Kentucky and/or the federal district courts, Western District of Kentucky, for the purpose of resolving all issues of law, equity, or fact, arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Kentucky and hereby waives any defense of lack of personal jurisdiction or *forum non conveniens*. Venue, for the purpose of all such suits, shall be in Jefferson County, Commonwealth of Kentucky.

(c) *Entire Agreement.* Except for any written stock option or stock award agreement and related agreements between Executive and the Company, this Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter including without limitation the Existing Employment Agreement, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein. As of the Effective Date, the Existing Employment Agreement shall terminate and be of

no further force or effect; provided, however, any obligations of Executive or the Company arising under the Existing Employment Agreement prior to the Effective Date shall survive such termination.

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

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section 13(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 13.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

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

(j) *Survival.* The terms and conditions set forth in Sections 4(g), 5, 6, 7, 8, 9, 10, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

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

(l) *Notices.* Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, at the Company's principal place of business, and if to Executive, at his home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

(m) *Six Month Delay.* Notwithstanding anything herein to the contrary, if the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) (or any successor thereto) on his Termination Date, any payments hereunder that are triggered by termination of employment and which are not exempt as separation pay under Treasury Regulation Section 1.409A-1(b)(9) or as short-term deferral pay, shall not begin to be paid until six months after his Termination Date, and at that time, the Executive will receive in one lump sum payment of all the payments that would have otherwise been paid to the Executive during the first six months following the Executive's Termination Date. The Company shall determine, consistent with any guidance issued under Code Section 409A, the portion of payments that are required to be delayed, if any.

(n) *409A Compliance.* The Executive and the Company agree and confirm that this Employment Agreement is intended by both parties to provide for compensation that is exempt from Code Section 409A as separation pay (up to the Code Section 409A limit) or as a short-term deferral, and to be compliant with Code Section 409A with respect to additional severance compensation and bonus compensation. This Agreement shall be interpreted, construed, and administered in accordance with this agreed intent, provided that the Company does not promise or warrant any tax treatment of compensation hereunder. Executive is responsible for obtaining advice regarding all questions to federal, state, or local income, estate, payroll, or other tax consequences arising from participation herein. This Agreement shall not be amended or terminated in a manner that would accelerate or delay payment of severance pay or bonus pay except as permitted under Treasury Regulations under Code Section 409A.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 8th day of January, 2015.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ W. Kent Taylor

Printed Name: W. Kent Taylor

Title: Chairman, Chief Executive Officer

SCOTT M. COLOSI

/s/ Scott M. Colosi

2015 EMPLOYMENT AGREEMENT
(G. Price Cooper, IV)

THIS 2015 EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the date of execution by both parties by and between TEXAS ROADHOUSE MANAGEMENT CORP., a Kentucky corporation (the "Company"), and G. PRICE COOPER, IV, a resident of the Commonwealth of Kentucky ("Executive").

RECITALS

A. The Executive is currently employed as the Chief Financial Officer of Texas Roadhouse, Inc. pursuant to an Amended and Restated Employment Agreement dated January 8, 2012 as amended by that First Amendment to Amended and Restated Employment Agreement entered into as of November 30, 2012 (the "Existing Employment Agreement").

B. Executive and the Company each desire to replace the Existing Employment Agreement with this Agreement.

AGREEMENT

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

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective January 8, 2015 (the "Effective Date").

2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on January 7, 2018 (the "Third Anniversary Date"), which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year thereafter (which term together with any such extensions, if any, shall be hereinafter defined as the "Term"), unless the Executive's employment terminates earlier in accordance with Section 9 hereof. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.

3. *Position and Duties.*

(a) *Employment with the Company.* While Executive is employed by the Company during the Term, Executive shall be employed as the Chief Financial Officer of Texas Roadhouse, Inc., and such other titles as the Company may designate, and shall perform such duties and responsibilities as the Company shall assign to him

from time to time, including duties and responsibilities relating to Texas Roadhouse, Inc.'s wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of his ability and shall devote his full working time, attention and efforts to the business of the Company during his employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the President and to the Chairman, Chief Executive Officer or to such other person as designated by the Board of Directors of Texas Roadhouse, Inc. (the "Board"). Executive hereby represents and confirms that he is under no contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Agreement. During his employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and he may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of his duties and responsibilities hereunder.

4. *Compensation.*

(a) *Base Salary.* While Executive is employed by the Company during the Term, the Company shall pay to Executive a base salary at the rate of Three Hundred Fifty Thousand and 00/100 Dollars (\$350,000.00) for the first year of the Term; Three Hundred Seventy-five Thousand and 00/100 Dollars (\$375,000) for the second year of the Term; and Four Hundred Thousand and 00/100 Dollars (\$400,000.00) for the third year of the Term. Base salary will be subject to deductions and withholdings, and shall be paid in accordance with the Company's normal payroll policies and procedures. If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's base salary may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(b) *Incentive Bonus.* Commencing with the Company's 2015 fiscal year and for each full fiscal year thereafter that Executive is employed by the Company during the Term, Executive shall be eligible for an annual incentive bonus, to be paid annually, based upon achievement of defined goals established by the Compensation Committee of the Board and in accordance with the terms of any incentive plan of the Company in effect from time to time (the "Incentive Bonus").

(i) The level of achievement of the objectives each fiscal year and the amount payable as Incentive Bonus shall be determined in good faith by the Compensation Committee of the Board. Any Incentive Bonus earned for a fiscal year shall be paid to Executive in a single lump sum on or before the date that is 2 ½ months following the last day of such fiscal year.

(ii) Subject to the achievement of the goals established by the Compensation Committee, as determined by the Compensation Committee, for each fiscal year of this Agreement, Executive shall be eligible for an annual target incentive bonus of Two Hundred Thousand and 00/100 Dollars (\$200,000.00). If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's annual target incentive bonus may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(c) *Stock Awards.*

(i) *Service Stock Award.* Pursuant to Section 6 of the Texas Roadhouse, Inc. 2013 Long Term Incentive Plan (the "Equity Incentive Plan") in place on the Effective Date, the Executive shall be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 75,000 shares of the common stock of Texas Roadhouse, Inc. (the "Service Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Service Stock Award shall be granted to the Executive on the date it is fully executed.

The Service Stock Award shall vest in installments provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan, as follows:

On the first anniversary date of the grant	25,000
January 8, 2017	25,000
January 8, 2018	25,000

(ii) *Retention Stock Award.* The Executive shall also be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 25,000 shares of the common stock of Texas Roadhouse, Inc. (the "Retention Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Retention Stock Award shall be granted to the Executive on the date it is fully executed.

The Retention Stock Award shall vest on January 8, 2018 provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan.

(iii) If Executive's employment is terminated by the Company without Cause (as defined below) following a Change in Control (as defined below) and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason (as defined below) within 12 months following a Change in Control and before the end of the Term, or prior to a Change of Control at the direction of a person who has entered into an agreement with the

Company, the consummation of which will constitute a Change of Control, and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(h), all options or stock awards granted under any stock option and stock incentive plans of the Company that are outstanding as of the date of termination shall become immediately vested, and in the case of stock options, shall immediately become exercisable in full and shall remain exercisable until the earlier of (A) two years after termination of Executive's employment by the Company or (B) the option expiration date as set forth in the applicable option agreement.

(iv) A "Change of Control" shall mean that one of the following events has taken place at any time during the Term:

(A) The stockholders of the Company approve one of the following:

(I) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, \$0.001 par value ("Common Stock") would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger; or

(II) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution;

(B) During any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board of Directors cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period;

(C) A tender or exchange offer, other than one made by:

(I) the Company, or by

(II) W. Kent Taylor or any corporation, limited liability company, partnership, or other entity in which W. Kent Taylor (x) owns a direct or indirect ownership of 50% or more or (y) controls 50% or more of the voting power (collectively, the "Taylor Parties")

is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), directly or indirectly, of securities representing in excess of the greater of (a) at least 20 percent of the voting power of outstanding securities of the Company or (b) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or

(D) Any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of (i) 20 percent of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or (ii) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

For purposes of this Section 4(c)(iv), the term “Company” shall mean Texas Roadhouse, Inc.

(v) A termination by Executive for “Good Reason” shall mean a termination based on:

(A) the assignment to Executive of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a reduction by the Company or the surviving company in Executive’s base pay as in effect immediately prior to the Change of Control;

(C) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive’s office is located immediately prior to the Change of Control, except for required

travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company ("Successor") the assent to this Agreement contemplated by Section 13(g) hereof;

which is not cured within 30 days after Executive has delivered written notice of such condition to the Employer. In each case, Executive must give the Company notice of the condition within 90 days of the initial existence of the condition, and the separation from service must occur within a period of time not to exceed two years (or such shorter period as provided herein) following the initial existence of one or more of the conditions set forth above, or any termination will not be considered to be for Good Reason.

(d) *Benefits.* While Executive is employed by the Company during the Term, Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to employees generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company during the Term, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by him in the performance of his duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expense verification and documentation. Any reimbursements made under this Section 4(e) will be paid on or before the last day of the Executive's taxable year following the taxable year in which the expense is incurred.

(f) *Vacations and Holidays.* Executive shall be entitled to be absent from his duties for the Company by reason of vacation for a period of four weeks per fiscal year, or such longer period as the Company allows based on employment tenure with the Company. The Executive's vacation time each fiscal year will accrue in accordance with the Company's normal policies and procedures. Executive shall coordinate his vacation schedule with the Company so as not to impose an undue burden on the Company. In addition, Executive shall be entitled to such national and religious holidays as the Company shall approve for all of its employees from time to time.

(g) *Clawback Provisions.* Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation, or any other compensation, paid or payable to Executive pursuant to this Agreement or any other

agreement or arrangement with the Company which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Company adopted pursuant to any such law, government, regulation, order or stock exchange listing requirement). Executive specifically authorizes the Company to withhold from his future wages any amounts that may become due under this provision. Notwithstanding the foregoing, Executive's authorization to withhold amounts from future wages that may become due under this provision does not apply and is specifically rescinded in the event of a Change in Control. This section 4(g) shall survive the termination of this Agreement for a period of three (3) years.

5. *Affiliated Entities.* As used in this Agreement, "Company" shall include the Company, Texas Roadhouse, Inc. and each corporation, limited liability company, partnership, or other entity that is controlled by Texas Roadhouse, Inc., or is under common control with the Texas Roadhouse, Inc. (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

6. *Confidential Information; Non-Disparagement.*

(a) Except as required in the performance of Executive's duties as an employee of the Company or as authorized in writing by the Board, Executive shall not, either during Executive's employment with the Company or at any time thereafter, use, disclose or make accessible to any person any confidential information for any purpose. "Confidential Information" means information proprietary to the Company or its suppliers or prospective suppliers and not generally known (including trade secret information) about the Company's suppliers, products, services, personnel, customers, recipes, pricing, sales strategies, technology, computer software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, and plans. All information disclosed to Executive or to which Executive obtains access, whether originated by Executive or by others, during the period of Executive's employment by the Company (whether before, during, or after the Term), shall be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if Executive has a reasonable basis to believe it to be Confidential Information. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. During Executive's employment with the Company, Executive shall refrain from committing any acts that would materially reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, or (ii) is required to be disclosed by law or legal process, other than as a direct or indirect result of the breach of this Agreement by Executive. Executive acknowledges that the

obligations imposed by this Section 6 are in addition to, and not in place of, any obligations imposed by applicable statutory or common law.

(b) Executive shall not at any time during the Term and during the Restricted Period (as defined below), or after the Term disparage the Company, any of its affiliates and any of their respective officers and directors, and shall not, without the prior written consent of the Company, disclose any information he may have learned during employment with the Company, including, but not limited to, any personal or financial information about an officer or director or his or her family member(s).

7. *Noncompetition Covenant.*

(a) *Agreement Not to Compete.* During Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, on his own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, engage in any business that is directly competitive with the business of the Company, including without limitation any business that operates one or more full-service, casual dining steakhouse restaurants, within the 50 United States or any foreign country in which the Company or its franchisees or its joint venture partners is operating or in which the Executive knows the Company or its franchisees or its joint venture partners contemplates commencing operations during the Restricted Period. The provisions of this Section 7(a) shall also apply to any business which is directly competitive with any other business which the Company acquires or develops during Executive's employment with the Company.

(b) *Agreement Not to Hire.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, hire, engage or solicit or induce or attempt to induce to cease working for the Company, any person who is then an employee of the Company or who was an employee of the Company during the six (6) month period immediately preceding Executive's termination of employment with the Company.

(c) *Agreement Not to Solicit.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, solicit, request, advise, induce or attempt to induce any vendor, supplier or other business contact of the Company to cancel, curtail, cease doing business with, or otherwise adversely change its relationship with the Company.

(d) *Restricted Period.* “Restricted Period” hereunder means the period commencing on the last day of Executive’s employment with the Company and ending on the date that is two years following the last day of the Term.

(i) In the event the Executive’s employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement, and before the end of the Term of this Agreement, the Restricted Period will begin on the last day of the Executive’s employment with the Company and end on the date the last payment of the current base salary is made to the Executive pursuant to paragraph 10(c).

(e) *Acknowledgment.* Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor. Therefore, in the event that Executive violates any provision of this Section 7, the Company shall be entitled to an injunction, in addition to all the other remedies it may have, restraining Executive from violating or continuing to violate such provision.

(f) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this Section 7 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 shall be given the construction that renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(g) *Permitted Equity Ownership.* Ownership by Executive, as a passive investment, of less than 2.5% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7.

8. *Intellectual Property.*

(a) *Disclosure and Assignment.* As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while he is employed by the Company, and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others while he is employed by the Company that relates to the Company’s business (collectively, “Creations”). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Creation. Every copyrightable Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a “work made for hire” as defined in 17 U.S.C. § 101, and the Company shall own all rights in and to such

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matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

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

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any idea, invention, copyrightable matter, or other property relating to the Company’s business and disclosed by Executive prior to the first anniversary of the effective date of Executive’s termination of employment shall be deemed to be governed by the terms of this Section 8 unless proven by Executive to have been first conceived and made after such termination date.

(d) *Non-Applicability.* Executive is hereby notified that this Section 8 does not apply to any invention for which no equipment, supplies, facility, Confidential Information, or other trade secret information of the Company was used and which was developed entirely on Executive’s own time, unless (i) the invention relates (A) directly to the business of the Company or (B) to the Company’s actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

9. *Termination of Employment.*

(a) Executive’s employment with the Company shall terminate immediately upon:

- (i) Executive’s receipt of written notice from the Company of the termination of his employment;
- (ii) the Company’s receipt of Executive’s written or oral resignation from the Company;
- (iii) Executive’s Disability (as defined below); or
- (iv) Executive’s death.

- (b) The date upon which Executive's termination of employment with the Company occurs shall be the "Termination Date."

Provided that, for purposes of the timing of payments triggered by the Termination Date under Section 10, the Termination Date shall not be considered to have occurred until the date the Executive and the Company reasonably anticipate that (i) Executive will not perform any further services for the Company or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Internal Revenue Code (but substituting 50% for 80% in the application thereof) (the "Employer Group"), or (ii) the level of bona fide services Executive will perform for the Employer Group after that date will permanently decrease to less than 20% of the average level of bona fide services performed over the previous 36 months (or if shorter over the duration of service). For this purpose, service performed as an employee or as an independent contractor is counted, except that service as a member of the board of directors of an Employer Group entity is not counted unless termination benefits under this Employment Agreement are aggregated with benefits under any other Employer Group plan or agreement in which Executive also participates as a director. Executive will not be treated as having a termination of his employment while he is on military leave, sick leave or other bona fide leave of absence if the leave does not exceed six months or, if longer, the period during which Executive has a reemployment right under statute or contract. If a bona fide leave of absence extends beyond six months, Executive's employment will be considered to terminate on the first day after the end of such six month period, or on the day after Executive's statutory or contractual reemployment right lapses, if later. The Company will determine when Executive's Termination Date occurs based on all relevant facts and circumstances, in accordance with Treasury Regulation Section 1.409A-1(h).

10. *Payments upon Termination of Employment.*

- (a) If Executive's employment with the Company is terminated by reason of:
- (i) Executive's abandonment of his employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);
 - (ii) termination of Executive's employment by the Company for Cause (as defined below); or
 - (iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive his then-current base salary through the Termination Date.

(b) Except in the case of a Change in Control, which is governed by Section 10(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section 10(h) of this Agreement:

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$100,000.00

Any amount payable to Executive pursuant to Section 10(b)(iii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(b)(iii) may be paid in a lump sum. Any amount payable to Executive pursuant to Section 10(b)(ii) shall be paid to Executive by the Company in the same manner and at the same time that Incentive Bonus payments are made to current named executive officers of Texas Roadhouse, Inc., as that term is applied by Texas Roadhouse, Inc. in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "Named Executive Officers"), but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive pursuant to Section 10(b)(iv) shall be paid in a lump sum.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section 10(h) of this Agreement, an amount equal to his then current base salary and incentive bonus through the end of Term of the Agreement, paid in the same periodic installments in accordance with the Company's regular payroll practices, but in no event

will the Company pay the Executive less than one year of his current base salary and incentive bonus. At the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(c) may be paid in a lump sum.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or his beneficiary or his estate, as the case may be;

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$100,000.00.

Any amount payable to Executive pursuant to Section 10(d)(iii) shall be subject to deductions and withholdings and shall be paid to Executive or his estate or beneficiary by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(d)(iii) may be paid in a lump sum. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(ii) shall be paid to Executive or his estate or beneficiary by the Company in the same manner and at the same time that Incentive Bonus payments are made to current Named Executive Officers, but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(iv) shall be paid in a lump sum.

(e) "Cause" hereunder shall mean:

- (i) an act or acts of dishonesty undertaken by Executive and intended to result in substantial gain or personal enrichment of Executive at the expense of the Company;

- (ii) unlawful conduct or gross misconduct that is willful and deliberate on Executive's part and that, in either event, is materially injurious to the Company;
- (iii) the conviction of Executive of a felony;
- (iv) material and deliberate failure of Executive to perform his duties and responsibilities hereunder or to satisfy his obligations as an officer or employee of the Company, which failure has not been cured by Executive within ten days after written notice thereof to Executive from the Company; or
- (v) material breach of any terms and conditions of this Agreement by Executive not caused by the Company, which breach has not been cured by Executive within ten days after written notice thereof to Executive from the Company.

(f) "Disability" hereunder shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 45 days or more during any 360-day period. A period of inability shall be "uninterrupted" unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(g) In the event of termination of Executive's employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by Sections 10(a), 10(b), 10(c) or 10(d) hereof, as the case may be, and the Company shall have no other obligation to Executive or to his beneficiary or his estate, except as otherwise provided by law.

(h) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section 10(b)(ii), (iii) or (iv) or 10(c) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Board, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement as of the dates of the payments. Executive must execute and deliver such release to the Company no later than the date specified by the Company and in no event later than 50 days following Executive's Termination Date, and the release will be delivered by the Company to the Executive at least 21 days (45 days where the Executive is required to be given 45 days to review and consider the release) before the deadline set for its return. For purposes of this Agreement and the determination of the date on which payments or benefits will commence, the applicable rescission period of a release shall be deemed to expire on the 60th day following the

Executive's termination of employment unless payment may be made based on an earlier rescission expiration date in compliance with Code Section 409A.

11. *Return of Property.* Upon termination of Executive's employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example, computers, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by him of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

13. *Miscellaneous.*

(a) *Governing Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles. Any action relating to this Agreement shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

(b) *Jurisdiction and Law.* Executive and the Company consent to jurisdiction of the courts of the Commonwealth of Kentucky and/or the federal district courts, Western District of Kentucky, for the purpose of resolving all issues of law, equity, or fact, arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Kentucky and hereby waives any defense of lack of personal jurisdiction or *forum non conveniens*. Venue, for the purpose of all such suits, shall be in Jefferson County, Commonwealth of Kentucky.

(c) *Entire Agreement.* Except for any written stock option or stock award agreement and related agreements between Executive and the Company, this Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter including without limitation the Existing Employment Agreement, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein. As of the Effective Date, the Existing Employment Agreement shall terminate and be of no further force or effect; provided, however, any obligations of Executive or the

Company arising under the Existing Employment Agreement prior to the Effective Date shall survive such termination.

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

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section 13(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 13.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

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

(j) *Survival.* The terms and conditions set forth in Sections 4(g), 5, 6, 7, 8, 9, 10, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

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

(l) *Notices.* Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, at the Company's principal place of business, and if to Executive, at his home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

(m) *Six Month Delay.* Notwithstanding anything herein to the contrary, if the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) (or any successor thereto) on his Termination Date, any payments hereunder that are triggered by termination of employment and which are not exempt as separation pay under Treasury Regulation Section 1.409A-1(b)(9) or as short-term deferral pay, shall not begin to be paid until six months after his Termination Date, and at that time, the Executive will receive in one lump sum payment of all the payments that would have otherwise been paid to the Executive during the first six months following the Executive's Termination Date. The Company shall determine, consistent with any guidance issued under Code Section 409A, the portion of payments that are required to be delayed, if any.

(n) *409A Compliance.* The Executive and the Company agree and confirm that this Employment Agreement is intended by both parties to provide for compensation that is exempt from Code Section 409A as separation pay (up to the Code Section 409A limit) or as a short-term deferral, and to be compliant with Code Section 409A with respect to additional severance compensation and bonus compensation. This Agreement shall be interpreted, construed, and administered in accordance with this agreed intent, provided that the Company does not promise or warrant any tax treatment of compensation hereunder. Executive is responsible for obtaining advice regarding all questions to federal, state, or local income, estate, payroll, or other tax consequences arising from participation herein. This Agreement shall not be amended or terminated in a manner that would accelerate or delay payment of severance pay or bonus pay except as permitted under Treasury Regulations under Code Section 409A.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 8th day of January, 2015.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ W. Kent Taylor

Printed Name: W. Kent Taylor

Title: Chairman, Chief Executive Officer

G. PRICE COOPER, IV

/s/ G. Price Cooper, IV

2015 EMPLOYMENT AGREEMENT
(Celia Catlett)

THIS 2015 EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the date of execution by both parties by and between TEXAS ROADHOUSE MANAGEMENT CORP., a Kentucky corporation (the "Company"), and CELIA CATLETT, a resident of the Commonwealth of Kentucky ("Executive").

RECITALS

- A. The Executive is currently employed as the General Counsel and Corporate Secretary of Texas Roadhouse, Inc. pursuant to an Employment Agreement dated January 15, 2014 which was effective as of November 12, 2013 at 5:00 pm eastern time, (the "Existing Employment Agreement").
- B. Executive and the Company each desire to replace the Existing Employment Agreement with this Agreement.

AGREEMENT

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

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective January 8, 2015 (the "Effective Date").
2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on January 7, 2018 (the "Third Anniversary Date"), which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year thereafter (which term together with any such extensions, if any, shall be hereinafter defined as the "Term"), unless the Executive's employment terminates earlier in accordance with Section 9 hereof. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.
3. *Position and Duties.*
 - (a) *Employment with the Company.* While Executive is employed by the Company during the Term, Executive shall be employed as the General Counsel and Corporate Secretary of Texas Roadhouse, Inc., and such other titles as the Company may designate, and shall perform such duties and responsibilities as the Company shall assign

to her from time to time, including duties and responsibilities relating to Texas Roadhouse, Inc.'s wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of her ability and shall devote her full working time, attention and efforts to the business of the Company during her employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the President and to the Chairman, Chief Executive Officer or to such other person as designated by the Board of Directors of Texas Roadhouse, Inc. (the "Board"). Executive hereby represents and confirms that she is under no contractual or legal commitments that would prevent her from fulfilling her duties and responsibilities as set forth in this Agreement. During her employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and she may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of her duties and responsibilities hereunder.

4. *Compensation.*

(a) *Base Salary.* While Executive is employed by the Company during the Term, the Company shall pay to Executive a base salary at the rate of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) for the first year of the Term; Two Hundred Seventy-five Thousand and 00/100 Dollars (\$275,000.00) for the second year of the Term; and Three Hundred Thousand and 00/100 Dollars (\$300,000.00) for the third year of the Term. Base salary will be subject to deductions and withholdings, and shall be paid in accordance with the Company's normal payroll policies and procedures. If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's base salary may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(b) *Incentive Bonus.* Commencing with the Company's 2015 fiscal year and for each full fiscal year thereafter that Executive is employed by the Company during the Term, Executive shall be eligible for an annual incentive bonus, to be paid annually, based upon achievement of defined goals established by the Compensation Committee of the Board and in accordance with the terms of any incentive plan of the Company in effect from time to time (the "Incentive Bonus").

(i) The level of achievement of the objectives each fiscal year and the amount payable as Incentive Bonus shall be determined in good faith by the Compensation Committee of the Board. Any Incentive Bonus earned for a fiscal year shall be paid to Executive in a single lump sum on or before the date that is 2 ½ months following the last day of such fiscal year.

(ii) Subject to the achievement of the goals established by the Compensation Committee, as determined by the Compensation Committee, for each fiscal year of this Agreement, Executive shall be eligible for an annual target incentive bonus of One Hundred Twenty-five Thousand and 00/100 Dollars (\$125,000.00). If the Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, the Executive's annual target incentive bonus may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(c) *Stock Awards.*

(i) *Service Stock Award.* Pursuant to Section 6 of the Texas Roadhouse, Inc. 2013 Long Term Incentive Plan (the "Equity Incentive Plan") in place on the Effective Date, the Executive shall be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 30,000 shares of the common stock of Texas Roadhouse, Inc. (the "Service Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Service Stock Award shall be granted to the Executive on the date it is fully executed.

The Service Stock Award shall vest in installments provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan, as follows:

On the first anniversary date of the grant	10,000
January 8, 2017	10,000
January 8, 2018	10,000

(ii) *Retention Stock Award.* The Executive shall also be granted on the Effective Date a stock bonus award whereby the Executive has the conditional right to receive upon vesting 10,000 shares of the common stock of Texas Roadhouse, Inc. (the "Retention Stock Award"), provided this Agreement has been fully executed by both the Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Retention Stock Award shall be granted to the Executive on the date it is fully executed.

The Retention Stock Award shall vest on January 8, 2018 provided the Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan.

(iii) If Executive's employment is terminated by the Company without Cause (as defined below) following a Change in Control (as defined below) and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason (as defined below) within 12 months following a Change in Control and before the end of the Term, or prior to a Change of Control at the direction of a person who has entered into an agreement with the

Company, the consummation of which will constitute a Change of Control, and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(h), all options or stock awards granted under any stock option and stock incentive plans of the Company that are outstanding as of the date of termination shall become immediately vested, and in the case of stock options, shall immediately become exercisable in full and shall remain exercisable until the earlier of (A) two years after termination of Executive's employment by the Company or (B) the option expiration date as set forth in the applicable option agreement.

(iv) A "Change of Control" shall mean that one of the following events has taken place at any time during the Term:

(A) The stockholders of the Company approve one of the following:

(I) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, \$0.001 par value ("Common Stock") would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger; or

(II) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution;

(B) During any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board of Directors cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period;

(C) A tender or exchange offer, other than one made by:

(I) the Company, or by

(II) W. Kent Taylor or any corporation, limited liability company, partnership, or other entity in which W. Kent Taylor (x) owns a direct or indirect ownership of 50% or more or (y) controls 50% or more of the voting power (collectively, the "Taylor Parties")

is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), directly or indirectly, of securities representing in excess of the greater of (a) at least 20 percent of the voting power of outstanding securities of the Company or (b) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or

(D) Any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of (i) 20 percent of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or (ii) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

For purposes of this Section 4(c)(iv), the term “Company” shall mean Texas Roadhouse, Inc.

(v) A termination by Executive for “Good Reason” shall mean a termination based on:

(A) the assignment to Executive of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a reduction by the Company or the surviving company in Executive’s base pay as in effect immediately prior to the Change of Control;

(C) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive’s office is located immediately prior to the Change of Control, except for required

travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company ("Successor") the assent to this Agreement contemplated by Section 13(g) hereof;

which is not cured within 30 days after Executive has delivered written notice of such condition to the Employer. In each case, Executive must give the Company notice of the condition within 90 days of the initial existence of the condition, and the separation from service must occur within a period of time not to exceed two years (or such shorter period as provided herein) following the initial existence of one or more of the conditions set forth above, or any termination will not be considered to be for Good Reason.

(d) *Benefits.* While Executive is employed by the Company during the Term, Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to employees generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company during the Term, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by her in the performance of her duties and responsibilities hereunder, subject to the Company's normal policies and procedures for expense verification and documentation. Any reimbursements made under this Section 4(e) will be paid on or before the last day of the Executive's taxable year following the taxable year in which the expense is incurred.

(f) *Vacations and Holidays.* Executive shall be entitled to be absent from her duties for the Company by reason of vacation each fiscal year in accordance with the Company's then-current policies in effect during the term. The Executive's vacation time each fiscal year will accrue in accordance with the Company's normal policies and procedures. Executive shall coordinate her vacation schedule with the Company so as not to impose an undue burden on the Company. In addition, Executive shall be entitled to such national and religious holidays as the Company shall approve for all of its employees from time to time.

(g) *Clawback Provisions.* Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation, or any other compensation, paid or payable to Executive pursuant to this Agreement or any other

agreement or arrangement with the Company which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Company adopted pursuant to any such law, government, regulation, order or stock exchange listing requirement). Executive specifically authorizes the Company to withhold from her future wages any amounts that may become due under this provision. Notwithstanding the foregoing, Executive's authorization to withhold amounts from future wages that may become due under this provision does not apply and is specifically rescinded in the event of a Change in Control. This section 4(g) shall survive the termination of this Agreement for a period of three (3) years.

5. *Affiliated Entities.* As used in this Agreement, "Company" shall include the Company, Texas Roadhouse, Inc. and each corporation, limited liability company, partnership, or other entity that is controlled by Texas Roadhouse, Inc., or is under common control with the Texas Roadhouse, Inc. (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

6. *Confidential Information; Non-Disparagement.*

(a) Except as required in the performance of Executive's duties as an employee of the Company or as authorized in writing by the Board, Executive shall not, either during Executive's employment with the Company or at any time thereafter, use, disclose or make accessible to any person any confidential information for any purpose. "Confidential Information" means information proprietary to the Company or its suppliers or prospective suppliers and not generally known (including trade secret information) about the Company's suppliers, products, services, personnel, customers, recipes, pricing, sales strategies, technology, computer software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, and plans. All information disclosed to Executive or to which Executive obtains access, whether originated by Executive or by others, during the period of Executive's employment by the Company (whether before, during, or after the Term), shall be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if Executive has a reasonable basis to believe it to be Confidential Information. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. During Executive's employment with the Company, Executive shall refrain from committing any acts that would materially reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, or (ii) is required to be disclosed by law or legal process, other than as a direct or indirect result of the breach of this Agreement by Executive. Executive acknowledges that the

obligations imposed by this Section 6 are in addition to, and not in place of, any obligations imposed by applicable statutory or common law.

(b) Executive shall not at any time during the Term and during the Restricted Period (as defined below), or after the Term disparage the Company, any of its affiliates and any of their respective officers and directors, and shall not, without the prior written consent of the Company, disclose any information she may have learned during employment with the Company, including, but not limited to, any personal or financial information about an officer or director or his or her family member(s).

7. *Noncompetition Covenant.*

(a) *Agreement Not to Compete.* During Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, on her own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, engage in any business that is directly competitive with the business of the Company, including without limitation any business that operates one or more full-service, casual dining steakhouse restaurants, within the 50 United States or any foreign country in which the Company or its franchisees or its joint venture partners is operating or in which the Executive knows the Company or its franchisees or its joint venture partners contemplates commencing operations during the Restricted Period. The provisions of this Section 7(a) shall also apply to any business which is directly competitive with any other business which the Company acquires or develops during Executive's employment with the Company.

(b) *Agreement Not to Hire.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, hire, engage or solicit or induce or attempt to induce to cease working for the Company, any person who is then an employee of the Company or who was an employee of the Company during the six (6) month period immediately preceding Executive's termination of employment with the Company.

(c) *Agreement Not to Solicit.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, solicit, request, advise, induce or attempt to induce any vendor, supplier or other business contact of the Company to cancel, curtail, cease doing business with, or otherwise adversely change its relationship with the Company.

(d) *Restricted Period.* “Restricted Period” hereunder means the period commencing on the last day of Executive’s employment with the Company and ending on the date that is two years following the last day of the Term.

(i) In the event the Executive’s employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement, and before the end of the Term of this Agreement, the Restricted Period will begin on the last day of the Executive’s employment with the Company and end on the date the last payment of the current base salary is made to the Executive pursuant to paragraph 10(c).

(e) *Acknowledgment.* Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor. Therefore, in the event that Executive violates any provision of this Section 7, the Company shall be entitled to an injunction, in addition to all the other remedies it may have, restraining Executive from violating or continuing to violate such provision.

(f) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this Section 7 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 shall be given the construction that renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(g) *Permitted Equity Ownership.* Ownership by Executive, as a passive investment, of less than 2.5% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7.

8. *Intellectual Property.*

(a) *Disclosure and Assignment.* As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while she is employed by the Company, and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others while she is employed by the Company that relates to the Company’s business (collectively, “Creations”). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Creation. Every copyrightable Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a “work made for hire” as defined in 17 U.S.C. § 101, and the Company shall own all rights in

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and to such matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

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

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any idea, invention, copyrightable matter, or other property relating to the Company’s business and disclosed by Executive prior to the first anniversary of the effective date of Executive’s termination of employment shall be deemed to be governed by the terms of this Section 8 unless proven by Executive to have been first conceived and made after such termination date.

(d) *Non-Applicability.* Executive is hereby notified that this Section 8 does not apply to any invention for which no equipment, supplies, facility, Confidential Information, or other trade secret information of the Company was used and which was developed entirely on Executive’s own time, unless (i) the invention relates (A) directly to the business of the Company or (B) to the Company’s actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

9. *Termination of Employment.*

(a) Executive’s employment with the Company shall terminate immediately upon:

- (i) Executive’s receipt of written notice from the Company of the termination of her employment;
- (ii) the Company’s receipt of Executive’s written or oral resignation from the Company;
- (iii) Executive’s Disability (as defined below); or
- (iv) Executive’s death.

- (b) The date upon which Executive's termination of employment with the Company occurs shall be the "Termination Date."

Provided that, for purposes of the timing of payments triggered by the Termination Date under Section 10, the Termination Date shall not be considered to have occurred until the date the Executive and the Company reasonably anticipate that (i) Executive will not perform any further services for the Company or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Internal Revenue Code (but substituting 50% for 80% in the application thereof) (the "Employer Group"), or (ii) the level of bona fide services Executive will perform for the Employer Group after that date will permanently decrease to less than 20% of the average level of bona fide services performed over the previous 36 months (or if shorter over the duration of service). For this purpose, service performed as an employee or as an independent contractor is counted, except that service as a member of the board of directors of an Employer Group entity is not counted unless termination benefits under this Employment Agreement are aggregated with benefits under any other Employer Group plan or agreement in which Executive also participates as a director. Executive will not be treated as having a termination of her employment while she is on military leave, sick leave or other bona fide leave of absence if the leave does not exceed six months or, if longer, the period during which Executive has a reemployment right under statute or contract. If a bona fide leave of absence extends beyond six months, Executive's employment will be considered to terminate on the first day after the end of such six month period, or on the day after Executive's statutory or contractual reemployment right lapses, if later. The Company will determine when Executive's Termination Date occurs based on all relevant facts and circumstances, in accordance with Treasury Regulation Section 1.409A-1(h).

10. *Payments upon Termination of Employment.*

- (a) If Executive's employment with the Company is terminated by reason of:
- (i) Executive's abandonment of her employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);
 - (ii) termination of Executive's employment by the Company for Cause (as defined below); or
 - (iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive her then-current base salary through the Termination Date.

(b) Except in the case of a Change in Control, which is governed by Section 10(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section 10(h) of this Agreement:

- (i) her then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of her then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$62,500.00.

Any amount payable to Executive pursuant to Section 10(b)(iii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(b)(iii) may be paid in a lump sum. Any amount payable to Executive pursuant to Section 10(b)(ii) shall be paid to Executive by the Company in the same manner and at the same time that Incentive Bonus payments are made to current named executive officers of Texas Roadhouse, Inc., as that term is applied by Texas Roadhouse, Inc. in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "Named Executive Officers"), but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive pursuant to Section 10(b)(iv) shall be paid in a lump sum.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term of this Agreement, or if the Executive's employment is terminated by the Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section 10(h) of this Agreement, an amount equal to her then current base salary and incentive bonus through the end of Term of the Agreement, paid in the same periodic installments in accordance with the Company's regular payroll practices, but in no event

will the Company pay the Executive less than one year of her current base salary and incentive bonus. At the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(c) may be paid in a lump sum.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or her beneficiary or her estate, as the case may be;

- (i) her then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of her then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$62,500.00.

Any amount payable to Executive pursuant to Section 10(d)(iii) shall be subject to deductions and withholdings and shall be paid to Executive or her estate or beneficiary by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(d)(iii) may be paid in a lump sum. Any amount payable to Executive or her estate or beneficiary pursuant to Section 10(d)(ii) shall be paid to Executive or her estate or beneficiary by the Company in the same manner and at the same time that Incentive Bonus payments are made to current Named Executive Officers, but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive or her estate or beneficiary pursuant to Section 10(d)(iv) shall be paid in a lump sum.

(e) "Cause" hereunder shall mean:

- (i) an act or acts of dishonesty undertaken by Executive and intended to result in substantial gain or personal enrichment of Executive at the expense of the Company;

- (ii) unlawful conduct or gross misconduct that is willful and deliberate on Executive's part and that, in either event, is materially injurious to the Company;
- (iii) the conviction of Executive of a felony;
- (iv) material and deliberate failure of Executive to perform her duties and responsibilities hereunder or to satisfy her obligations as an officer or employee of the Company, which failure has not been cured by Executive within ten days after written notice thereof to Executive from the Company; or
- (v) material breach of any terms and conditions of this Agreement by Executive not caused by the Company, which breach has not been cured by Executive within ten days after written notice thereof to Executive from the Company.

(f) "Disability" hereunder shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of her employment with the Company by reason of her illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 45 days or more during any 360-day period. A period of inability shall be "uninterrupted" unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(g) In the event of termination of Executive's employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by Sections 10(a), 10(b), 10(c) or 10(d) hereof, as the case may be, and the Company shall have no other obligation to Executive or to her beneficiary or her estate, except as otherwise provided by law.

(h) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section 10(b)(ii), (iii) or (iv) or 10(c) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Board, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement as of the dates of the payments. Executive must execute and deliver such release to the Company no later than the date specified by the Company and in no event later than 50 days following Executive's Termination Date, and the release will be delivered by the Company to the Executive at least 21 days (45 days where the Executive is required to be given 45 days to review and consider the release) before the deadline set for its return. For purposes of this Agreement and the determination of the date on which payments or benefits will commence, the applicable rescission period of a release shall be deemed to expire on the 60th day following the

Executive's termination of employment unless payment may be made based on an earlier rescission expiration date in compliance with Code Section 409A.

11. *Return of Property.* Upon termination of Executive's employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example, computers, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by her of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

13. *Miscellaneous.*

(a) *Governing Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles. Any action relating to this Agreement shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

(b) *Jurisdiction and Law.* Executive and the Company consent to jurisdiction of the courts of the Commonwealth of Kentucky and/or the federal district courts, Western District of Kentucky, for the purpose of resolving all issues of law, equity, or fact, arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Kentucky and hereby waives any defense of lack of personal jurisdiction or *forum non conveniens*. Venue, for the purpose of all such suits, shall be in Jefferson County, Commonwealth of Kentucky.

(c) *Entire Agreement.* Except for any written stock option or stock award agreement and related agreements between Executive and the Company, this Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, including without limitation the Existing Employment Agreement, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein. As of the Effective Date, the Existing Employment Agreement shall

terminate and be of no further force or effect; provided, however, any obligations of Executive or the Company arising under the Existing Employment Agreement prior to the Effective Date shall survive such termination.

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

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section 13(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 13.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

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

(j) *Survival.* The terms and conditions set forth in Sections 4(g), 5, 6, 7, 8, 9, 10, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

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

(l) *Notices.* Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, at the Company's principal place of business, and if to Executive, at her home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

(m) *Six Month Delay.* Notwithstanding anything herein to the contrary, if the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) (or any successor thereto) on her Termination Date, any payments hereunder that are triggered by termination of employment and which are not exempt as separation pay under Treasury Regulation Section 1.409A-1(b)(9) or as short-term deferral pay, shall not begin to be paid until six months after her Termination Date, and at that time, the Executive will receive in one lump sum payment of all the payments that would have otherwise been paid to the Executive during the first six months following the Executive's Termination Date. The Company shall determine, consistent with any guidance issued under Code Section 409A, the portion of payments that are required to be delayed, if any.

(n) *409A Compliance.* The Executive and the Company agree and confirm that this Employment Agreement is intended by both parties to provide for compensation that is exempt from Code Section 409A as separation pay (up to the Code Section 409A limit) or as a short-term deferral, and to be compliant with Code Section 409A with respect to additional severance compensation and bonus compensation. This Agreement shall be interpreted, construed, and administered in accordance with this agreed intent, provided that the Company does not promise or warrant any tax treatment of compensation hereunder. Executive is responsible for obtaining advice regarding all questions to federal, state, or local income, estate, payroll, or other tax consequences arising from participation herein. This Agreement shall not be amended or terminated in a manner that would accelerate or delay payment of severance pay or bonus pay except as permitted under Treasury Regulations under Code Section 409A.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 8th day of January, 2015.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ W. Kent Taylor

Printed Name: W. Kent Taylor

Title: Chairman, Chief Executive Officer

CELIA CATLETT

/s/ Celia Catlett

**TEXAS ROADHOUSE, INC.
2013 LONG-TERM INCENTIVE PLAN
PERFORMANCE 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 Performance Stock Unit Award Agreement (the “Agreement”).

I. NOTICE OF GRANT OF PERFORMANCE STOCK UNITS

Pursuant to the Plan, the Grantee has been granted a Full Value Award (the “Award”) in the form of performance stock units (referred to herein as the “Performance 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 Performance Stock Unit Grant Notice (the “Grant Notice”) (the form of which is attached hereto as Exhibit “A” and incorporated herein) 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 Performance Stock Units. Subject to the terms and conditions of this Agreement, 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 Performance 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/Satisfaction of Performance Goals. All Performance Stock Units shall be unearned and unvested unless and until they become earned and vested in accordance with this Section 2, as follows:

(a) On the Certification Date (as defined below), the Grantee shall earn between 0% and 200% of the Target Performance Stock Units (as defined on Exhibit “A”), as determined by the Committee, based on (i) the Continuous Service of the Grantee during the period beginning on the Date of Grant and ending on the later of the first anniversary of the date of the grant or January 8, 2016, and (ii) the level of satisfaction of the Performance Goals set forth in Exhibit B hereto (which is incorporated into and forms a part of this Agreement) for the period commencing on December 31, 2014 and ending on December 29, 2015, which is the Company’s fiscal year (the “Performance Period”). Any Performance Stock Units granted pursuant to this Agreement that become earned in accordance with this Agreement shall be referred to herein as “Earned Performance Units”. The Earned Performance Units shall be settled in accordance with subsection 4 hereof. For purposes of this Agreement, the “Certification Date” is the date that the Committee certifies that the Performance Goals set forth in Exhibit B hereto have been satisfied, which date shall be no later than March 15, 2016.

(b) Except as provided in subsection 2(c), in the event the Grantee’s Continuous Service terminates for any or no reason prior to the Vesting Date, all of the Performance Stock Units shall be immediately forfeited and the right of the Grantee to receive Shares in settlement of the Performance Stock Units will be immediately forfeited by the Grantee.

(c) Notwithstanding any other provision of this Agreement, if the Grantee’s Continuous Service terminates because of death or Disability prior to the Vesting Date, then (i) the Grantee shall be treated as satisfying the requirement of Continuous Service on the Vesting Date, and (ii) the number of Performance Stock Units that will become Earned Performance Units on the Certification Date shall be equal to the number determined based on the satisfaction of the Performance Goals and as determined by the Committee on the Certification Date multiplied by a fraction, the numerator of which is the number of calendar months (or portions thereof) in the vesting period of the Award from the Date of Grant to the Grantee’s actual termination of Continuous Service and the denominator of which is the total number of calendar months or portion thereof in the vesting period of the Award as of the Date of Grant.

(d) Earned Performance Units shall be settled in accordance with subsection 4 hereof.

3. Transfer Prohibited. The Grantee may not assign, transfer, pledge or encumber in any way the Performance 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 Certification. The Company will cause its transfer agent to issue to the Grantee in book entry the number of Shares subject to the Earned Performance Units less Shares withheld for withholding taxes under Section 7 below or Shares withheld under Section 14 below, if any in accordance with the following. Such transfer shall occur as soon as practicable following the Certification Date, but in no event prior to the Vesting Date and no later than March 15, 2016. In any case, if the Certification Date is a Saturday, Sunday or legal or banking holiday, the Certification Date will be adjusted to be that date which is the next following business day (but in no event later than March 16, 2016). The Grantee shall not be considered the owner of the Shares for purposes of voting rights, dividends and taxation of the Shares until issuance.

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 of Control. If a Change of Control (as defined below) occurs prior to the Vesting Date and the Grantee's Continuous Service is terminated by the Company without Cause (as defined in the 2015 Employment Agreement between the Grantee and the Company), or if the Grantee's Continuous Service is terminated by the Grantee for Good Reason (as defined in the 2015 Employment Agreement between the Grantee and Company) within 12 months following a Change in Control, or prior to a Change of Control at the direction of a person who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and, in either case, contingent upon the Grantee's execution of a full release of claims (the "Release") in the manner set forth in the 2015 Employment Agreement between the Grantee and Company, then 100% of the Performance Stock Units shall become 100% immediately vested upon the 60th day following the Grantee's termination of Continuous Service provided that the foregoing conditions are satisfied upon such date (without regard to satisfaction of any Performance Goals) or such earlier date upon which the Release is effective and payment is permitted under Code Section 409A. Notwithstanding the Plan, for purposes of this Agreement the term "Change of Control" shall have the meaning set forth in the 2015 Employment Agreement between the Grantee and the Company.

7. Tax Consequences/Section 409A. The Award is subject to withholding of all applicable taxes. On the issuance 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 Performance Stock Units from the Shares that would otherwise be issued to the Grantee, as determined by the Company in its reasonable discretion. 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 Performance Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding any other provision of this Agreement to the contrary, if the Grantee is a "specified employee" within the meaning of section 409A of the Code and if any of the payments under this Agreement are subject to section 409A, any payments that are subject to section 409A and that are payable as a result of the Grantee's separation from service (within the meaning of section 409A) will be deferred until the first day of the seventh month following the Grantee's separation from service. None of the Company or any Affiliate 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. THE 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 THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE 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 Performance 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.

[Signatures Follow]

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.

**PERFORMANCE 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 Performance Stock Units set forth below. This grant is subject to all of the terms and conditions as set forth herein, on Exhibit B, in the Performance Stock Unit Award Agreement (the "Agreement"), and in the Plan, which the Grantee has previously received and are incorporated herein in their entirety.

Grantee:

Date of Grant:

Vesting Date: The later of the first anniversary of the Date of Grant or
[]

Target Performance Stock Units	Portion of Target Grant Based on EPS Performance Goal	Portion of Target Grant Based on Pre- tax Profit Goal	Minimum Aggregate Potential Grant	Maximum Aggregate Potential Grant
---	--	--	--	--

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: By receipt hereof, the Grantee acknowledges receipt of, and understands and agrees to, this Performance 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.

EXHIBIT B

PERFORMANCE GOALS

(2013 LONG-TERM INCENTIVE PLAN)

The Performance Stock Units granted under the Agreement shall become Earned Performance Units* based on the satisfaction of an EPS growth target and a pre-tax profit target (collectively, the “Performance Goals”) determined as follows:

EPS

25% of the Performance Stock Units granted pursuant to the Agreement will be based on an EPS growth target. The EPS target opportunity is based on annual growth in EPS of 10% which would result in 100% achievement of 25% of the Performance Stock Units. That would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal. For example, if 11% growth were to be achieved, 110% of 25% of the Performance Stock Units would become Earned Performance Units; if 9% growth is achieved, 90% of 25% of the Performance Stock Units would become Earned Performance Units.

Pre-tax Profit

75% of the Performance Stock Units granted pursuant to the Agreement will be based on a pre-tax profit target. The pre-tax profit target opportunity would be equal to the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the Compensation Committee for the Performance Period. For example, if 1.5% of pre-tax earnings was \$2.2 million and the total bonus target pool is \$2.0 million, the percentage payout would be 110%, and 110% of the 75% of the Performance Stock Units would become Earned Performance Units.

*In any event, the total number of Earned Stock Units shall not exceed 200% of the target number of Performance Stock Units.

**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 (the "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 prior to the Vesting Date, the right to receive Shares will be immediately forfeited by the Grantee. Notwithstanding any other provision of this Agreement, if the Grantee's Continuous Service terminates because of death or Disability prior to the Vesting Date, then (i) the Award shall become immediately vested upon the termination of Continuous Service in an amount equal to the total number of shares subject to the Award multiplied by a fraction equal to each calendar month or portion thereof from the date of Grant to the termination of Continuous Service divided by the total number of calendar months or portion thereof in the vesting period of the Award as of the date of Grant (notwithstanding subsection (ii) hereof), (ii) the date of termination of Continuous Service shall be the "Vesting Date" and (iii) the Company will cause its transfer agent as promptly as reasonably practicable to issue to the Grantee in book entry the calculated 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.

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 of Control. If a Change of Control (as defined below) occurs prior to the Vesting Date and the Grantee's Continuous Service is terminated by the Company without Cause (as defined in the 2015 Employment Agreement between the Grantee and the Company), or if the Grantee's Continuous Service is terminated by the Grantee for Good Reason (as defined in the 2015 Employment Agreement between the Grantee and Company) within 12 months following a Change in Control, or prior to a Change of Control at the direction of a person who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and, in either case, contingent upon the Grantee's execution of a full release of claims (the "Release") in the manner set forth in the 2015 Employment Agreement between the Grantee and Company, then 100% of the Award shall become 100% immediately vested upon the 60th day following the Grantee's termination of Continuous Service provided that the foregoing conditions are satisfied upon such date or such earlier date upon which the Release is effective and payment is permitted under Code Section 409A. Notwithstanding the Plan, for purposes of this Agreement the term "Change of Control" shall have the meaning set forth in the 2015 Employment Agreement between the Grantee and the Company.

7. Tax Consequences/Section 409A. The Award is subject to withholding of all applicable taxes. On the issuance 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. 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 Shares issuable thereunder will be subject to the additional tax imposed under section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding any other provision of this Agreement to the contrary, if the Grantee is a "specified employee" within the meaning of section 409A of the Code and if any of the payments under this Agreement are subject to section 409A, any payments that are subject to section 409A and that are payable as a result of the Grantee's separation from service (within the meaning of section 409A) will be deferred until the first day of the seventh month following the Grantee's separation from service. None of the Company or any Affiliate 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.

[Signatures Follow]

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.
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 (the “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 prior to the Vesting Date, the right to receive Shares will be immediately forfeited by the Grantee. Notwithstanding any other provision of this Agreement, if the Grantee’s Continuous Service terminates because of death or Disability prior to the Vesting Date, then (i) the Award shall become immediately vested upon the termination of Continuous Service in an amount equal to the total number of shares subject to the Award multiplied by a fraction equal to each calendar month or portion thereof from the date of Grant to the termination of Continuous Service divided by the total number of calendar months or portion thereof in the vesting period of the Award as of the date of Grant (notwithstanding subsection (ii) hereof), (ii) the date of termination of Continuous Service shall be the “Vesting Date” and (iii) the Company will cause its transfer agent as promptly as reasonably practicable to issue to the Grantee in book entry the calculated 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.

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 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 Shares 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.

SECOND AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN
OF
TEXAS ROADHOUSE MANAGEMENT CORP.

July 5, 2007

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**SECOND AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN
OF
TEXAS ROADHOUSE MANAGEMENT CORP.**

RECITALS:

A. Texas Roadhouse Management Corp., a Kentucky corporation ("Company"), adopted the Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp. ("Plan") as of December 12, 2005.

B. It is desired to further amend the Plan in certain respects.

C. The Company therefore desires to amend and restate the Plan in its entirety.

NOW, THEREFORE, the Plan is hereby amended and restated in its entirety to read as follows:

1. PURPOSES.

1.1 Purposes. The purposes of Plan are to provide a means for a select group of highly compensated employees of the Company to defer a portion of their compensation and to provide flexibility to the Company in attracting and retaining new highly compensated employees.

2. ELIGIBILITY AND PARTICIPATION.

2.1 Eligibility. Any employee of the Company selected by the Committee (as hereinafter defined) to be a Participant (as hereinafter defined) ("Eligible Employee") is eligible to participate in the Plan. Key employees selected by the Committee shall be notified by the Committee that they are entitled to be a Participant under the Plan.

2.2 Participation. An Eligible Employee may become a participant in the Plan ("Participant") by filing an Election Form in accordance with the provisions of Section 4.1. A Participant shall remain a Participant until such time as the Participant has received all payments to which the Participant is entitled under the terms of the Plan or as otherwise provided herein.

3. ADMINISTRATION.

3.1 The Committee. The Plan shall be administered by a Committee ("Committee") appointed by the Board of Directors of the Company ("Board"). For purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Committee is the Plan administrator. Any claim for benefits under the Plan shall be made in writing to the Committee. The Committee and the claimant shall follow the claims procedures set forth in Department of Labor Regulation § 2560.503-1.

3.2 Authority of the Committee. The Committee shall have sole discretion to make all determinations which may be necessary or advisable for the administration of the Plan including, but not limited to, selecting key employees of the Company to be Participants,

construing and interpreting the Plan and establishing, amending and rescinding rules and regulations for the Plan's administration. The Committee may delegate its authority as identified hereunder. All determinations and decisions made by the Committee pursuant to the provisions of the Plan, and all related orders or resolutions of the Board, shall be final, conclusive and binding upon all persons, including the Company, Participants and their Beneficiaries (as hereinafter defined).

3.3 Costs and Expenses. In discharging its duties under the Plan, the Committee may employ such counsel, accountants and consultants as it deems necessary or appropriate. The Company shall pay all costs of such third parties and any other expenses incurred by the Committee with respect to the Plan.

3.4 Indemnification. No member of the Committee, nor any officer or employee acting on behalf of the Committee or the Company, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee, and each and every officer or employee of the Company acting on their behalf, shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination or interpretation.

4. DEFERRAL ELECTION.

4.1 Making of Election.

(a) Except as otherwise provided herein, each Eligible Employee may elect in writing, in the manner and on the form ("Election Form") prescribed by the Committee, to defer payment of all or any part of the Compensation (as hereinafter defined) which would otherwise be paid to such Eligible Employee by the Company for services rendered. The amount to be deferred shall be expressed as a whole percentage of the Participant's Compensation, but in no event may such percentage be less than 4%. Notwithstanding the foregoing, no deferral election may reduce a Participant's compensation from the Company to an amount less than the sum of (i) the applicable employment taxes payable by the Participant with respect to the amount deferred, (ii) withholding from compensation required under the Company's other benefit plans, and (iii) the income taxes which the Company is required to withhold on the Participant's taxable compensation. All amounts deferred in accordance with the provisions of this Section 4.1(a), together with the net earnings resulting from the deemed investment of such deferred amounts, shall be fully vested. For purposes of the Plan, the term "Compensation" shall mean all compensation paid to a Participant which is includible on the Participant's Form W-2, other than automobile allowances and income attributable to options.

(b) An election shall be effective as follows:

(1) Except as provided in Section 4.1(b)(2), if the election is filed on or before 15 days prior to the close of a Plan Year (as hereinafter defined), the election shall be effective with respect to Compensation for the first pay period or bonus period, as applicable, beginning in the following Plan Year.

(2) In the case of a newly hired Eligible Employee, or an employee who newly became an Eligible Employee ("Newly Eligible Employees"), if the election is

made within 30 days of the date the person became a Newly Eligible Employee, the election shall be effective (i) with respect to Compensation other than bonuses, with the first pay period beginning on or after the making of the election, and (ii) with respect to bonuses, for any bonus earned for a bonus period beginning after the election is made.

Once an election has been made with respect to Compensation, it shall remain in effect with respect to all future Compensation which would otherwise be paid to the Participant until changed by the filing of a new election by the Participant in the manner provided in Section 4.1(c) or terminated as provided in Section 4.1(d).

(c) If a Participant desires to change (as opposed to terminate) any deferral election, the Participant may do so by the filing of a new Election Form with the Committee at any time on or before 15 days prior to the close of a Plan Year. Such election shall be effective as of the first day of the following Plan Year.

(d) A Participant may terminate the Participant's deferral election with respect to Compensation (including bonuses) by giving written notice thereof to the Committee at any time on or before 15 days prior to the close of a Plan Year. Such termination shall be effective as of the first day of the following Plan Year. If a Participant has elected to terminate the Participant's deferral election with respect to Compensation (including bonuses), the Eligible Employee may not again have Compensation deferred until the Plan Year beginning after the Plan Year in which such termination was effective.

4.2 Participant Account. A Participant account ("Participant Account") shall be established for each Participant. Deferred Compensation will be credited to the Participant's Participant Account as of the close of the month in which such Compensation would otherwise be payable to the Participant. A Participant Account shall be credited or debited, as applicable, with the net investment return or loss of the deemed investment of the amount in the Participant Account in accordance with the provisions of Section 6.3, and shall be debited for all payments made to the Participant or the Participant's Beneficiaries. If a Participant elects pursuant to Section 7.6 to receive the payout of their Participant Account other than in a lump sum, the Participant Account may be debited with the additional cost incurred by the Company as a result of such election as determined by the Company in its sole discretion. If the Company, in its sole discretion, decides to make Discretionary Contributions (as hereinafter defined) on behalf of any Participant in accordance with the provisions of Section 5.1, the Participant Account shall also be credited with such Discretionary Contributions.

5. DISCRETIONARY CONTRIBUTIONS.

5.1 Discretionary Contributions. The Company, in its sole and absolute discretion, may determine to make discretionary contributions ("Discretionary Contributions") to the Participant Account of one or more Participants. Except with respect to vesting, Discretionary Contributions shall be treated in the same manner as a Participant's elective deferrals. All Discretionary Contributions shall be deemed invested in the same manner as the balance of the Participant's Participant Account is invested unless the Participant elects otherwise by notice to the Committee given in the manner provided in Section 6.2.

5.2 Vesting. If the Company determines to make Discretionary Contributions with respect to any Participants in accordance with the provisions of Section 5.1, the Committee shall determine, at the time of the making of such Discretionary Contributions, the manner in which such Discretionary Contributions, together with the net earnings resulting from the deemed investment of such Discretionary Contributions, shall vest. Vesting may be based upon years of service, obtaining of performance criteria or any other method that the Committee shall determine.

6. DEEMED INVESTMENTS.

6.1 Investment Options. The Committee, from time to time, shall determine the investments which the Participants may select to have the amounts in their Participant Accounts deemed invested ("Specified Investments"). The Committee shall have the right to change the Specified Investments in its sole discretion.

6.2 Selection of Investment Options. Participants, at the time of their initial deferral election, shall specify on the Election Form the Specified Investments in which the amounts in their Participant Accounts will be deemed invested. Participants may elect to have all of the amount in their Participant Accounts deemed invested in one Specified Investment or in multiple Specified Investments. All selections of Specified Investments shall be in whole percentages. The Specified Investments selected may be changed by the Participant from time to time. If notice of a change in the selected Specified Investment is received by the Committee prior to the 15th day of the last month of a calendar quarter, the change shall be effective as of the first day of the following calendar quarter, and if received after the 15th day of the last month of the calendar quarter, shall be effective as of the first day of the second following calendar quarter.

6.3 Earnings on Deemed Investments. The earnings on Participants' deemed investments will be credited to their Participant Accounts as earned. If a Participant changes the Specified Investments in which the amount in the Participant's Participant Account is deemed invested, such change will be treated as a sale of the former Specified Investment and the profit or loss resulting therefrom debited or credited to the Participant Account as of the effective date of the deemed sale.

7. PAYMENT OF DEFERRED AMOUNTS.

7.1 Limitation on Payment of Deferred Amounts. No payment may be made from any Participant Account except as provided in this Section 7.

7.2 Payment Upon Separation from Service. Payment of the amount (if Discretionary Contributions have been made, the vested amount) in a Participant Account shall be made to the Participant as soon as administratively possible following the end of the calendar quarter in which the Participant separates from service with the Company (within the meaning of section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended ("Code"), and the Regulations promulgated thereunder) for reasons other than death or the Participant becoming Disabled (as hereinafter defined), but in no event later than the close of the second calendar quarter following the separation from service; provided, however, that in the case of a Participant who as of the date of separation from service is a specified employee of the Company within the

meaning of section 409A(a)(2)(B)(i) of the Code and the Regulations promulgated thereunder (a key employee of the Company within the meaning of section 416(i) of the Code (without regard to section 416(i)(5) of the Code) during the relevant 12-month period referred to in Treas. Reg. § 1.409A-1(i)(1)), such payment may in no event be made earlier than six months following the date of separation from service. Except as otherwise provided herein, payment shall be made in the form of a lump sum.

7.3 *Death or Disability.* If a Participant separates from service with the Company by reason of death or becoming Disabled, the amount (if Discretionary Contributions have been made, the vested amount) in such Participant's Participant Account shall be paid to such Participant or the Participant's Beneficiary as soon as administratively possible following the end of the calendar quarter in which the death or Disability occurs, but no later than the close of the second calendar quarter following the date of death or Disability. For purposes of the Plan, the term "Disabled" shall have the meaning given such term in section 409A(a)(2)(C) of the Code and the Regulations promulgated thereunder.

7.4 *Scheduled In-Service Distributions.* A Participant may elect to receive a lump sum distribution of all, but not less than all, of the vested amount in the Participant's Participant Account by specifying on an Election Form the January 1 of any year which is subsequent to the date the Participant became 59 ½ years old on which the Participant wishes to receive such distribution, which date must be at least one year after the date such Election Form is delivered to the Committee ("Scheduled Distribution"). With respect to amounts in a Participant's Participant Account as of December 31, 2004, the election must be made, or if an election had been made under this Section 7.4 prior to December 31, 2004, may be changed, at any time prior to December 31, 2005. With respect to amounts deferred subsequent to December 31, 2004, the election must be made prior to any amounts being credited to the Participant's Participant Account. A Participant may change the date for a Scheduled Distribution to a later date provided that (i) notice thereof is given to the Committee at least one year prior to the previously selected Scheduled Distribution date, and (ii) the new Scheduled Distribution date is at least five years later than the previous Scheduled Distribution date. If a Participant has made an election pursuant to this Section 7.4 and separates from service prior to the Scheduled Distribution date, the distribution shall be made in accordance with the provisions of Sections 7.2 or 7.3, as applicable.

7.5 *Hardship Withdrawals.* A Participant may request that a distribution be made of some or all of the amount in the Participant's Participant Account if the Participant is faced with a severe financial hardship due to an unforeseeable emergency. For purposes of the Plan, the term "unforeseeable emergency" shall have the meaning given such term in section 409A(a)(2)(B)(ii)(I) of the Code and the Regulations promulgated thereunder. The Committee shall decide, in its sole and absolute discretion, whether a distribution shall be made pursuant to the provisions of this Section 7.5. In no event will such a distribution be made to the extent the emergency is or may be relieved (i) through reimbursements or compensation from insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent such liquidation would not itself cause severe financial hardship, or (iii) cessation of deferrals under the Plan. Furthermore, the amount distributed will in no event exceed the sum of (i) the amount necessary to satisfy the emergency plus (ii) amounts necessary to pay taxes reasonably anticipated as a result of the distribution pursuant to this Section 7.5.

7.6 Installment Payments. If (i) at the time a Participant separates from service with the Company (A) the balance in the Participant's Participant Account equals or exceeds \$100,000, and (B) the Participant has been an employee of the Company for at least five years, or (ii) the Participant separates from service with the Company because the Participant was Disabled and (iii) the Participant has timely filed an election with the Committee in accordance with the provisions of this Section 7.6 requesting that the amount in such Participant's Participant Account be paid in installments, then the amount in such Participant's Participant Account, or that portion with respect to which an installment election is in effect, as applicable, shall be paid in quarterly installments (not to exceed 20) as shall have been elected by the Participant. If a Participant dies prior to receiving all of the installments to which the Participant is entitled, the remaining installments shall be paid to the Participant's Beneficiary. With respect to amounts in a Participant's Participant Account as of December 31, 2004, an election to receive installment payments must be made, or if an election had been made under this Section 7.6 prior to December 31, 2004, may be changed or terminated, at any time prior to December 31, 2005. With respect to amounts deferred subsequent to December 31, 2004, the election under this Section 7.6 must be made at the time the election to defer the Compensation is made.

8. CHANGE IN CONTROL.

8.1 Benefits Upon a Change in Control. Upon a Change in Control (as hereinafter defined), the amount in the Participant Accounts shall be paid out as soon as administratively feasible (but in no event later than 30 days following the Change in Control) in a single lump sum.

8.2 Definition of Change in Control. For purposes of the Plan, the term "Change in Control" shall have the meaning given the term "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation" in the Regulations promulgated under section 409A(a)(2)(A)(v) of the Code.

9. DESIGNATION OF BENEFICIARY.

9.1 Designation of Beneficiary. A Participant shall be entitled to designate a beneficiary or beneficiaries to receive the payments of the amount in the Participant's Participant Account in the case of the Participant's death ("Beneficiary"). Such designation may include a designation of a contingent Beneficiary or Beneficiaries. The Participant may, from time to time, change such designation of Beneficiary or Beneficiaries as the Participant shall desire. Notice of the designation shall be given in writing by the Participant to the Committee and the trustee of the Rabbi Trust (as hereinafter defined). If no Beneficiary is designated, the Beneficiary shall be deemed to be the Participant's estate.

10. RABBI TRUST.

10.1 Rabbi Trust. All amounts deferred by a Participant shall be contributed by the Company at least monthly to a trust ("Rabbi Trust") of which the Company will be considered the owner for Federal income tax purposes. The Rabbi Trust will be established to provide a source of funds to enable the Company to make payments to the Participants and their Beneficiaries pursuant to the terms of the Plan. Payments to which Participants are entitled

under the terms of the Plan shall be paid out of the Rabbi Trust to the extent of the assets therein. The assets of the Rabbi Trust will be subject to the claims of general creditors of the Company.

11. PLAN YEAR.

11.1 Plan Year. The fiscal year of the Plan ("Plan Year") shall be the fiscal year of the Company, which is currently a fiscal year ending on the last Tuesday in December.

12. WITHHOLDING.

12.1 Withholding. The Company shall be entitled to withhold from all amounts otherwise payable to a Participant or Beneficiary hereunder such amount as the Company is required by law to withhold with respect to such payments. The Company recognizes that amounts deferred pursuant to the Plan will be treated as wages for Social Security and Medicare tax purposes when such amounts are credited to a Participant Account. As a condition to becoming a Participant, an Eligible Employee shall be deemed to have agreed that the Company shall be entitled to withhold from the Participant's Compensation all amounts required to be withheld by law with respect to amounts deferred under the Plan.

13. MISCELLANEOUS.

13.1 Assignability. No right to receive payments hereunder shall be transferable or assignable by a Participant except by will or by the laws of descent and distribution.

13.2 Amendment or Termination. The Plan may be amended, modified or terminated by the Board at any time or from time to time. No amendment, modification or termination shall, without the consent of a Participant, adversely affect such Participant's existing rights under the Plan.

13.3 Continued Employment. Nothing in the Plan, nor any action taken under the Plan, shall be construed as giving any Participant a right to continue as an employee of the Company.

13.4 Participant's Rights Unsecured. The right of any Participant to receive payment of deferred amounts under the provisions of the Plan shall be an unsecured claim against the general assets of the Company. The maintenance of individual Participant Accounts is for bookkeeping purposes only. The Company is not obligated to acquire or set aside any particular assets for the discharge of its obligations, nor shall any Participant have any property rights in any particular assets held by the Company, whether or not held for the purpose of funding the Company's obligations hereunder.

13.5 Governing Law. To the extent not preempted by ERISA, the Plan shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflict of laws rules.

13.6 ERISA. It is intended that the Plan be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a

select group of highly compensated employees of the Company. As such, the Plan is intended to be exempt from certain otherwise

applicable provisions of Title I of ERISA, and any ambiguities in construction shall be resolved in favor of an interpretation which will effectuate such intentions.

13.7 Construction. The Plan is intended to meet the requirements of section 409A of the Code and the Regulations promulgated thereunder, and any ambiguities in construction shall be resolved in favor of an interpretation which will effectuate such intention.

IN WITNESS WHEREOF, the Company has caused this Second Amended and Restated Plan to be executed as of the 5 day of July, 2007, being the date this Second Amended and Restated Plan was approved by the Board.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ W. Kent Taylor
Title: Chairman

**FIRST AMENDMENT TO
SECOND AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN
OF
TEXAS ROADHOUSE MANAGEMENT CORP.**

RECITALS:

A. Texas Roadhouse Management Corp., a Kentucky corporation ("Company"), adopted the Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp. ("Plan") as of July 5, 2007.

B. It is desired to further amend the Plan in certain respects.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 4.1(b)(1) is hereby amended in its entirety to read as follows:

"Except as provided in Section 4.1(b)(2), if the election is filed prior to the close of a Plan Year (as hereinafter defined), the election shall be effective with respect to Compensation for the first pay period or bonus period, as applicable, beginning in the following Plan Year."

2. Section 11.1 of the Plan is hereby amended in its entirety to read as follows:

"The fiscal year of the Plan ("Plan Year") shall be the calendar year."

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed as of the 19th day of December, 2007, being the date this First Amendment was approved by the Board of Directors of the Company.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ W. Kent Taylor

Title: Chairman

**SECOND AMENDMENT TO
SECOND AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN
OF
TEXAS ROADHOUSE MANAGEMENT CORP.**

RECITALS:

A. Texas Roadhouse Management Corp., a Kentucky corporation ("Company"), adopted the Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp. as of July 5, 2007, which was amended by a First Amendment thereto ("Plan").

B. It is desired to further amend the Plan to provide Participants with an opportunity to revise installment elections in accordance with the 2008 transition relief under section 409A of the Code authorized by the Internal Revenue Service in Notice 2007-86.

Now, THEREFORE, the Plan is hereby amended as follows:

- 1.** Section 7.6 of the Plan is hereby amended by adding at the end thereof the following:

"Notwithstanding anything in this Section 7.6 to the contrary, prior to December 31, 2008, a Participant shall be entitled to make an election to have the amount in such Participant's Participant Account paid in installments, or, if an installment election was previously made by such Participant, to change the number of quarterly installments."

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed as of the 31 day of December, 2008, being the date this Second Amendment was approved by the Board of Directors of the Company.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ Scott M. Colosi

Title: Scott M. Colosi, President, CFO

THIRD AMENDED AND RESTATED
DEFERRED COMPENSATION PLAN
OF
TEXAS ROADHOUSE MANAGEMENT CORP.

Effective Date
January 1, 2010

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ARTICLE I

Establishment and Purpose

Texas Roadhouse Management Corp., (the “Company”) hereby amends and restates its Deferred Compensation Plan, which shall be known as the Third Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp. (the “Plan”), effective January 1, 2010. This amendment and restatement applies only to amounts deferred under the Plan on or after January 1, 2010. Amounts deferred under the Plan prior to January 1, 2010 shall be subject to the provisions of the Plan as amended and restated July 5, 2007 (the Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp, as amended), as the same may be further amended from time to time by the Company.

The purpose of this amendment and restatement is to provide additional flexibility regarding deferral elections and distributions, consistent with Code Section 409A. The Plan continues to be provided to attract and retain key employees by providing Participants with an opportunity to defer receipt of a portion of their salary, bonus, and other specified compensation. The Plan is not intended to meet the qualification requirements of Code Section 401(a), but is intended to meet the requirements of Code Section 409A, and shall be operated and interpreted consistent with that intent.

The Plan constitutes an unsecured promise by a Participating Employer to pay benefits in the future. Participants in the Plan shall have the status of general unsecured creditors of the Company or the Adopting Employer, as applicable. Each Participating Employer shall be solely responsible for payment of the benefits of its employees and their beneficiaries. The Plan is unfunded for federal tax purposes and is intended to be an unfunded arrangement for eligible employees who are part of a select group of management or highly compensated employees of the Employer within the meaning of Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. Any amounts set aside to defray the liabilities assumed by the Company or an Adopting Employer will remain the general assets of the Company or the Adopting Employer and shall remain subject to the claims of the Company’s or the Adopting Employer’s creditors until such amounts are distributed to the Participants.

ARTICLE II

Definitions

- 2.1 Account. Account means a bookkeeping account maintained by the Committee to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan. The Committee may maintain an Account to record the total obligation to a Participant and component Accounts to reflect amounts payable at different times and in different forms. Reference to an Account means any such Account established by the Committee, as the context requires. Accounts are intended to constitute unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.
- 2.2 Account Balance. Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.

- 2.3 Adopting Employer. Adopting Employer means an Affiliate who, with the consent of the Company, has adopted the Plan for the benefit of its eligible employees.
- 2.4 Affiliate. Affiliate means a corporation, trade or business that, together with the Company, is treated as a single employer under Code Section 414(b) or (c).
- 2.5 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant to receive payments to which a Beneficiary is entitled in accordance with provisions of the Plan. The Participant's spouse, if living, otherwise the Participant's estate, shall be the Beneficiary if: (i) the Participant has failed to properly designate a Beneficiary, or (ii) all designated Beneficiaries have predeceased the Participant.
- A former spouse shall have no interest under the Plan, as Beneficiary or otherwise, unless the Participant designates such person as a Beneficiary after dissolution of the marriage, except to the extent provided under the terms of a domestic relations order as described in Code Section 414(p)(1)(B).
- 2.6 Business Day. Business Day means each day on which the New York Stock Exchange is open for business.
- 2.7 Change in Control. Change in Control means, with respect to a Participating Employer that is organized as a corporation, any of the following events: (i) a change in the ownership of the Participating Employer, (ii) a change in the effective control of the Participating Employer, or (iii) a change in the ownership of a substantial portion of the assets of the Participating Employer.

For purposes of this Section, a change in the ownership of the Participating Employer occurs on the date on which any one person, or more than one person acting as a group, acquires ownership of stock of the Participating Employer that, together with stock held by such person or group constitutes more than 50% of the total fair market value or total voting power of the stock of the Participating Employer. A change in the effective control of the Participating Employer occurs on the date on which either: (i) a person, or more than one person acting as a group, acquires ownership of stock of the Participating Employer possessing 30% or more of the total voting power of the stock of the Participating Employer, taking into account all such stock acquired during the 12-month period ending on the date of the most recent acquisition, or (ii) a majority of the members of the Participating Employer's Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of such Board of Directors prior to the date of the appointment or election, but only if no other corporation is a majority shareholder of the Participating Employer. A change in the ownership of a substantial portion of assets occurs on the date on which any one person, or more than one person acting as a group, other than a person or group of persons that is related to the Participating Employer, acquires assets from the Participating Employer that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Participating Employer

immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the 12-month period ending on the date of the most recent acquisition.

An event constitutes a Change in Control with respect to a Participant only if the Participant performs services for the Participating Employer that has experienced the Change in Control, or the Participant's relationship to the affected Participating Employer otherwise satisfies the requirements of Treasury Regulation Section 1.409A-3(i)(5)(ii).

Notwithstanding anything to the contrary herein, with respect to a Participating Employer that is a partnership, Change in Control means only a change in the ownership of the partnership or a change in the ownership of a substantial portion of the assets of the partnership, and the provisions set forth above respecting such changes relative to a corporation shall be applied by analogy.

The determination as to the occurrence of a Change in Control shall be based on objective facts and in accordance with the requirements of Code Section 409A.

- 2.8 Claimant. Claimant means a Participant or Beneficiary filing a claim under Article XII of this Plan.
- 2.9 Code. Code means the Internal Revenue Code of 1986, as amended from time to time.
- 2.10 Code Section 409A. Code Section 409A means section 409A of the Code, and regulations and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.
- 2.11 Committee. Committee means the committee appointed by the Board of Directors of the Company (or the appropriate committee of such board) to administer the Plan. For purposes of legislation or other documents that refer to a "plan administrator", the Committee shall be the "plan administrator".
- 2.12 Company. Company means Texas Roadhouse Management Corp.
- 2.13 Company Contribution. Company Contribution means a credit by a Participating Employer to a Participant's Account(s) in accordance with the provisions of Article V of the Plan. Company Contributions are credited at the sole discretion of the Participating Employer and the fact that a Company Contribution is credited in one year shall not obligate the Participating Employer to continue to make such Company Contribution in subsequent years. Unless the context clearly indicates otherwise, a reference to Company Contribution shall include Earnings attributable to such contribution.
- 2.14 Compensation. Compensation means a Participant's base salary, bonus, commission, and such other cash compensation (if any) approved by the Committee as Compensation that may be deferred under this Plan. Compensation shall not include any compensation that has been previously deferred under this Plan or any other arrangement subject to Code Section 409 A.

- 2.15 Compensation Deferral Agreement. Compensation Deferral Agreement means an agreement between a Participant and a Participating Employer that specifies: (i) the amount of each component of Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV, and (ii) the Payment Schedule applicable to one or more Accounts. The Committee may permit different deferral amounts for each component of Compensation and may establish a minimum or maximum deferral amount for each such component. Unless otherwise specified by the Committee in the Compensation Deferral Agreement, Participants may defer up to 100% of their base salary and up to 100% of other types of Compensation for a Plan Year (but see Section 2.17, below). A Compensation Deferral Agreement may also specify the investment allocation described in Section 8.4.
- 2.16 Death Benefit. Death Benefit means the benefit payable under the Plan to a Participant's Beneficiary(ies) upon the Participant's death as provided in Section 6.1 of the Plan.
- 2.17 Deferral. Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals.
- Deferrals shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings, but shall be reduced by the Committee as necessary so that they do not exceed 100% of the cash Compensation of the Participant remaining after deduction of all required income and employment taxes, other employee benefit deductions, and other deductions required by law. Changes to payroll withholdings that affect the amount of Compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.
- 2.18 Earnings. Earnings means a positive or negative adjustment to the value of an Account, based upon the allocation of the Account by the Participant among deemed investment options in accordance with Article VIII.
- 2.19 Effective Date. Effective Date for this amendment and restatement means January 1, 2010.
- 2.20 Eligible Employee. Eligible Employee means a member of a "select group of management or highly compensated employees" of a Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, as determined by the Committee from time to time in its sole discretion. For purposes of determining deferral election timing requirements for a "newly eligible" Employee, eligibility shall begin upon the receipt of written notification of eligibility from the Committee or its delegate.
- 2.21 Employee. Employee means a common-law employee of an Employer.
- 2.22 Employer. Employer means, with respect to Employees it employs, the Company and each Affiliate.

- 2.23 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.24 Participant. Participant means an Eligible Employee who has elected to make a Deferral under the Plan or who has had a Company Contribution credited to his or her Account and thus has (or will have, once credited) an Account Balance greater than zero, regardless of whether such individual continues to be an Eligible Employee. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.
- 2.25 Participating Employer. Participating Employer means the Company and each Adopting Employer.
- 2.26 Payment Schedule. Payment Schedule means the date as of which payment of an Account under the Plan will commence and the form in which payment of such Account will be made.
- 2.27 Performance-Based Compensation. Performance-Based Compensation means Compensation where the amount of, or entitlement to, the Compensation is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than 90 days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether Compensation qualifies as "Performance-Based Compensation" will be made in accordance with Treas. Reg. Section 1.409A-1(e) and subsequent guidance.
- 2.28 Plan. Generally, the term Plan means the "Third Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp.," as set forth herein and as may be further amended from time to time hereafter. However, to the extent permitted or required under Code Section 409 A, the term Plan may in the appropriate context also mean a portion of the Plan that is treated as a single plan under Treas. Reg. Section 1.409A-1(c), or the Plan or portion of the Plan and any other nonqualified deferred compensation plan or portion thereof that is treated as a single plan under such section.
- 2.29 Plan Year. Plan Year means January 1 through December 31.
- 2.30 Retirement/Termination Benefit. Retirement/Termination Benefit means the benefit payable to a Participant under the Plan following the Participant's Separation from Service.
- 2.31 Separation from Service. Separation from Service means an Employee's termination of employment with the Employer. Whether a Separation from Service has occurred shall be determined by the Committee in accordance with Code Section 409A.

Except in the case of an Employee on a bona fide leave of absence as provided below, an Employee is deemed to have incurred a Separation from Service if the Employer and the Employee reasonably anticipate that the level of services to be performed by the Employee after a date certain would be reduced to 20% or less of the average services rendered by the Employee during the immediately preceding 36-month period (or the total period of employment, if less than 36 months) disregarding periods during which the Employee was on a bona fide leave of absence.

An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence shall incur a Separation from Service on the first date immediately following the later of: (i) the six month anniversary of the commencement of the leave, or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract.

For purposes of determining whether a Separation from Service has occurred, the Employer means the Employer as defined in Section 2.24 of the Plan, except that in applying Code sections 1563(a)(1), (2) and (3) for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(b), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(c), "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in those sections.

The Committee specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to a Participant providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Code Section 409A.

- 2.32 Specified Date Account. Specified Date Account means an Account established by the Committee to record the amounts payable at a future date as specified in the Participant's Compensation Deferral Agreement. Unless otherwise determined by the Committee, a Participant may maintain no more than five Specified Date Accounts. A Specified Date Account may be identified in enrollment materials as an "In-Service Account" or such other name as established by the Committee without affecting the meaning thereof.
- 2.33 Specified Date Benefit. Specified Date Benefit means the benefit payable to a Participant under the Plan in accordance with Section 6.1(c).
- 2.34 Specified Employee. Specified Employee means an Employee who, as of the date of his or her Separation from Service, is a "key employee" of the Company or any Affiliate, any stock of which is actively traded on an established securities market or otherwise. An Employee is a key employee if he or she meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with applicable regulations thereunder and without regard to Code Section 416(i)(5)) at any time during the 12-month period ending on the Specified Employee Identification Date. Such Employee shall be treated as

a key employee for the entire 12-month period beginning on the Specified Employee Effective Date.

For purposes of determining whether an Employee is a Specified Employee, the compensation of the Employee shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c)-2(d)(2) (wages, salaries, fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the employer maintaining the plan, to the extent such amounts are includible in gross income or would be includible but for an election under section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b), including the earned income of a self-employed individual. Notwithstanding anything in this paragraph to the contrary: (i) if a different definition of compensation has been designated by the Company with respect to another nonqualified deferred compensation plan in which a key employee participates, the definition of compensation shall be the definition provided in Treas. Reg. Section 1.409A-1(i)(2), and (ii) the Company may through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company, elect to use a different definition of compensation.

In the event of corporate transactions described in Treas. Reg. Section 1.409A-1(i)(6), the identification of Specified Employees shall be determined in accordance with the default rules described therein, unless the Employer elects to utilize the available alternative methodology through designations made within the timeframes specified therein.

- 2.35 Specified Employee Identification Date. Specified Employee Identification Date means December 31, unless the Employer has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Employer.
- 2.36 Specified Employee Effective Date. Specified Employee Effective Date means the first day of the fourth month following the Specified Employee Identification Date, or such earlier date as is selected by the Committee.
- 2.37 Substantial Risk of Forfeiture. Substantial Risk of Forfeiture means the description specified in Treas. Reg. Section 1.409A-1(d).
- 2.38 Unforeseeable Emergency. Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code section 152, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Committee.
- 2.39 Valuation Date. Valuation Date means each Business Day.

2.40 Year of Service. Year of Service means each 12-month period of continuous service with the Employer.

ARTICLE III

Eligibility and Participation

- 3.1 Eligibility and Participation. An Eligible Employee becomes a Participant upon the earlier to occur of: (i) a credit of Company Contributions under Article V, or (ii) acceptance by the Committee of the initial Compensation Deferral Agreement submitted by the Eligible Employee.
- 3.2 Duration. A Participant shall be eligible to make Deferrals and receive allocations of Company Contributions, subject to the terms of the Plan, for as long as such Participant remains an Eligible Employee. A Participant who is no longer an Eligible Employee but who has not yet incurred a Separation from Service may not make new Deferrals for new Plan Years after the Plan Year in which he or she became ineligible but may otherwise exercise all of the rights of a Participant under the Plan with respect to his or her Account(s). On and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account Balance is greater than zero (0), and during such time may continue to make allocation elections as provided in Section 8.4. An individual shall cease being a Participant in the Plan when all benefits under the Plan to which he or she is entitled have been paid.

ARTICLE IV

Deferrals

- 4.1 Deferral Elections, Generally.
- (a) A Participant may elect to defer Compensation by submitting a Compensation Deferral Agreement during the enrollment periods established by the Committee and in the manner specified by the Committee, but in any event, in accordance with Section 4.2. A Compensation Deferral Agreement that is not timely filed with respect to a service period or component of Compensation shall be considered void and shall have no effect with respect to such service period or Compensation. The Committee may modify any Compensation Deferral Agreement prior to the date the election becomes irrevocable under the rules of Section 4.2.

- (b) The Participant shall specify on his or her Compensation Deferral Agreement the amount of Deferrals and whether to allocate Deferrals to a Retirement/Termination Account or to a Specified Date Account. If no designation is made, Deferrals shall be allocated to the Retirement/Termination Account. A Participant may also specify in his or her Compensation Deferral Agreement the Payment Schedule applicable to his or her Plan Accounts if, under the Plan, he or she is eligible to do so for that particular Account.

4.2 Timing Requirements for Compensation Deferral Agreements.

- (a) *First Year of Eligibility.* In the case of the first year in which an Eligible Employee becomes eligible to participate in the Plan, if authorized by the Committee to make a Deferral during the Plan Year, he or she has up to 30 days following his or her initial eligibility (see Section 2.20) to submit a Compensation Deferral Agreement with respect to Compensation to be earned during the remainder of such Plan Year (but see below). The Compensation Deferral Agreement described in this paragraph becomes irrevocable upon the end of such 30-day period. The determination of whether an Eligible Employee may file a Compensation Deferral Agreement under this paragraph shall be determined in accordance with the rules of Code Section 409A, including the provisions of Treas. Reg. Section 1.409A-2(a)(7).

A Compensation Deferral Agreement filed under this paragraph applies to Compensation earned on and after the date the Compensation Deferral Agreement becomes irrevocable, some of which may be required to be pro-rated in accordance with the rules of Code Section 409A.

- (b) *Prior Year Election.* Except as otherwise provided in this Section 4.2, Participants may defer Compensation by filing a Compensation Deferral Agreement no later than December 31 of the year prior to the year in which the Compensation to be deferred is earned. A Compensation Deferral Agreement described in this paragraph shall become irrevocable with respect to such Compensation as of January 1 of the year in which such Compensation is earned.
- (c) *Performance-Based Compensation.* If authorized by the Committee, Participants may file a Compensation Deferral Agreement with respect to Performance-Based Compensation no later than the date that is six months before the end of the performance period, provided that:
 - (i) the Participant performs services continuously from the later of the beginning of the performance period or the date the criteria are established through the date the Compensation Deferral Agreement is submitted; and
 - (ii) the Compensation is not readily ascertainable as of the date the Compensation Deferral Agreement is filed.

A Compensation Deferral Agreement becomes irrevocable with respect to Performance-Based Compensation as of the day immediately following the latest

date for filing such election. Any election to defer Performance-Based Compensation that is made in accordance with this paragraph and that becomes payable as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-1(e)) or upon a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)) prior to the satisfaction of the performance criteria, will be void.

- (d) *Sales Commissions.* Sales commissions (as defined in Treas. Reg. Section 1.409A-2(a)(12)(i)) are considered to be earned by the Participant in the taxable year of the Participant in which the sale occurs. If authorized by the Committee, Participants may file a Compensation Deferral Agreement containing a Deferral of commissions before the last day of the year preceding the year in which the sales commissions are earned, and becomes irrevocable after that date.
- (e) *Short-Term Deferrals.* If authorized by the Committee, Compensation that meets the definition of a "short-term deferral" described in Treas. Reg. Section 1.409 A-1(b)(4) may be deferred in accordance with the rules of Article VII, applied as if the date the Substantial Risk of Forfeiture lapses is the date payments were originally scheduled to commence, provided, however, that the provisions of Section 7.3 shall not apply to payments attributable to a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)).
- (f) *Certain Forfeitable Rights.* With respect to a legally binding right to a payment in a subsequent year that is subject to a forfeiture condition requiring the Participant's continued services for a period of at least 12 months from the date the Participant obtains the legally binding right, if the Deferral of such right is authorized by the Committee an election to defer such Compensation may be made on or before the 30th day after the Participant obtains the legally binding right to the Compensation, provided that the election is made at least 12 months in advance of the earliest date at which the forfeiture condition could lapse. The Compensation Deferral Agreement described in this paragraph becomes irrevocable after such 30th day. If the forfeiture condition applicable to the payment lapses before the end of the required service period as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-3(i)(4)) or upon a Change in Control (as defined in Treas. Reg. Section 1.409A-3(i)(5)), the Compensation Deferral Agreement will be void unless it would be considered timely under another rule described in this Section.
- (g) *Company Awards.* Participating Employers may unilaterally provide for deferrals of Company awards prior to the date of such awards. Deferrals of Company awards (such as sign-on, retention, or severance pay) may be negotiated with a Participant prior to the date the Participant has a legally binding right to such Compensation.
- (h) *"Evergreen" Deferral Elections.* The Committee, in its discretion, may provide in the Compensation Deferral Agreement that such Compensation Deferral Agreement will continue in effect for each subsequent year or performance

period. Such “evergreen” Compensation Deferral Agreements will become effective with respect to an item of Compensation on the date such election becomes irrevocable under this Section 4.2. An evergreen Compensation Deferral Agreement may be terminated or modified prospectively with respect to Compensation for which such election remains revocable under this Section 4.2. A Participant whose Compensation Deferral Agreement is cancelled in accordance with Section 4.6 will be required to file a new Compensation Deferral Agreement under this Article IV in order to recommence Deferrals under the Plan.

- 4.3 Allocation of Deferrals. A Participant may allocate Deferrals to one or more Specified Date Accounts and/or to the Retirement/Termination Account. The Committee may, in its discretion, establish a minimum deferral period for the establishment of a Specified Date Account (for example, the third Plan Year following the year Compensation is first allocated to such accounts).
- 4.4 Deductions from Pay. The Committee has the authority to determine the payroll practices under which any component of Compensation subject to a Compensation Deferral Agreement will be deducted from a Participant’s Compensation.
- 4.5 Vesting. Participant Deferrals shall be 100% vested at all times.
- 4.6 Cancellation of Deferrals. The Committee may cancel a Participant’s Deferrals: (i) for the balance of the Plan Year in which an Unforeseeable Emergency occurs, (ii) if the Participant receives a hardship distribution under the Employer’s qualified 401(k) plan, through the end of the Plan Year in which the six month anniversary of the hardship distribution falls, and (iii) during periods in which the Participant is unable to perform the duties of his or her position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Participant or the 15th day of the third month following the date the Participant incurs the disability (as defined in this paragraph).

ARTICLE V

Company Contributions

- 5.1 Discretionary Company Contributions. The Participating Employer may, from time to time in its sole and absolute discretion, credit Company Contributions to any Participant in any amount determined by the Participating Employer. Such contributions will be credited to a Participant’s Retirement/Termination Account.
- 5.2 Vesting. Company Contributions described in Section 5.1 above, and the Earnings thereon, shall vest in accordance with the vesting schedule(s) established by the Committee at the time that the Company Contribution is made. All Company Contributions shall become 100% vested upon the occurrence of the earliest of: (i) the death of the Participant while actively employed, (ii) the Disability of the Participant, (iii) Retirement of the Participant (as defined by the Committee), or (iv) a Change in Control. The Participating Employer may, at any time, in its sole discretion, increase a

Participant's vested interest in a Company Contribution. The portion of a Participant's Accounts that remains unvested upon his or her Separation from Service after the application of the terms of this Section 5.2 shall be forfeited.

ARTICLE VI

Benefits

6.1 Benefits, Generally. A Participant shall be entitled to the following benefits under the Plan:

- (a) *Retirement/Termination Benefit.* Upon the Participant's Separation from Service, he or she shall be entitled to a Retirement/Termination Benefit. The Retirement/Termination Benefit shall be equal to the vested portion of the Retirement/Termination Account and the unpaid balances of any Specified Date Accounts. The Retirement/Termination Benefit shall be based on the value of the Account(s) as of the end of the month prior to the payment date or such later date as the Committee, in its sole discretion, shall determine. The payment date for the Retirement/Termination Benefit is the first business day of the month following the month in which Separation from Service occurs, provided, however, that with respect to a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service, the payment date is the first business day of the seventh month following the month in which such Separation from Service occurs. If the Retirement Benefit is to be paid in the form of installments, any subsequent installment payments to a Specified Employee will be paid on the anniversary of the date the first payment would have been made had the Participant not been classified as a Specified Employee.
- (b) *Specified Date Benefit.* If the Participant has established one or more Specified Date Accounts, he or she shall be entitled to a Specified Date Benefit with respect to each such Specified Date Account. The Specified Date Benefit shall be equal to the vested portion of the Specified Date Account, based on the value of that Account as of the end of the month designated by the Participant at the time the Account was established. The payment date for the Specified Date Benefit will be the first business day of the month following the designated month.
- (c) *Death Benefit.* In the event of the Participant's death, his or her designated Beneficiary(ies) shall be entitled to a Death Benefit. The Death Benefit shall be equal to the vested portion of the Retirement/Termination Account and (i) if the Retirement/Termination Account is payable in a lump sum, the unpaid balances of any Specified Date Accounts, or (ii) if the Retirement/Termination Account is payable in installments, the vested portion of any Specified Date Accounts with respect to which payments have not yet commenced. The Death Benefit shall be based on the value of the Accounts as of the end of the month in which death occurred, with payment made in the following month.
- (d) *Unforeseeable Emergency Payments.* A Participant who experiences an Unforeseeable Emergency may submit a written request to the Committee to

receive payment of all or any portion of his or her vested Accounts. Whether a Participant or Beneficiary is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by the Committee based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Deferrals under this Plan. If an emergency payment is approved by the Committee, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted first from the vested portion of the Participant's Retirement/Termination Account until depleted and then from the vested Specified Date Accounts, beginning with the Specified Date Account with the latest payment commencement date. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Committee.

6.2 Form of Payment.

- (a) *Retirement/Termination Benefit.* Except as otherwise provided in this Section, a Participant who is entitled to receive a Retirement/Termination Benefit shall receive payment of such benefit in a single lump sum. The Committee may authorize all Participants or such Participants who meet a Years of Service requirement imposed by the Committee, to make elections regarding the form of payment in which such Participants desire to receive their Retirement/Termination Benefit. In that event, such eligible Participants may elect, on the initial Compensation Deferral Agreement on which allocations are made to the Retirement/Termination Account (or in accordance with "transition relief provided in Notice 2005-1 and subsequent IRS Notices regarding Code Section 409A) or, in the event the Committee authorizes multiple Retirement/Termination Accounts, on the initial Compensation Deferral Agreement which allocates Deferrals (or Company Contributions) to a newly created Retirement/Termination Account, to have such benefit paid in a form-of-payment method authorized by the Committee. Unless otherwise communicated to all Plan Participants, the following alternative forms-of-payment are available for election by the Participant: (i) substantially equal annual installments over a period of two to ten years; (ii) substantially equal quarterly installments over a period of two to five years; or (iii) a lump sum payment of a percentage of the balance in the Retirement/Termination Account, with the balance paid in substantially equal annual installments over a period of two to ten years, as elected by the Participant.
- (b) *Specified Date Benefit.* The Specified Date Benefit shall be paid in a single lump sum, unless the Committee authorizes alternate forms-of-payment for Specified

Date Accounts and the Participant elects on the initial Compensation Deferral Agreement on which the account was established to have the Specified Date Account paid in substantially equal annual installments over a period of two to five years, as elected by the Participant.

Notwithstanding any election of a form of payment by the Participant, upon a Separation from Service prior to the Specified Date of any Specified Date Account the unpaid balance of such a Specified Date Account shall be paid in a lump sum. Any Specified Date Accounts that are in "pay status" at the time of a Separation from Service shall continue to be paid in accordance with the Specified Date form-of-payment election.

- (c) *Death Benefit.* A designated Beneficiary who is entitled to receive a Death Benefit shall receive payment of such benefit in a single lump sum.
- (d) *Change in Control.* In the event that a Participant incurs a Separation from Service within 24 months following a Change in Control, such Participant will receive his or her Retirement/Termination Account paid in a single lump sum payment regardless of a form-of-payment election to the contrary.

A Participant or Beneficiary receiving installment payments when a Change in Control occurs will receive the remaining account balance in a single lump sum within 90 days following the Change in Control.

- (e) *Small Account Balances.* A Participant's election of an alternate form of payment notwithstanding, the Committee shall pay the value of the Participant's Accounts upon a Separation from Service in a single lump sum if the balance of such Accounts is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the Plan.
- (f) *Rules Applicable to Installment Payments.* If a Payment Schedule specifies installment payments, payments will be made beginning as of the payment date and shall continue on each anniversary thereof until the number of installment payments specified in the Payment Schedule has been paid. The amount of each installment payment shall be determined by dividing (a) by (b), where (a) equals the Account Balance as of the Valuation Date and (b) equals the remaining number of installment payments.

For purposes of Article VII, installment payments will be treated as a single form of payment. If a lump sum equal to less than 100% of the Retirement/Termination Account is paid, the payment commencement date for the installment form of payment will be the first anniversary of the payment of the lump sum.

- 6.3 Acceleration of or Delay in Payments. The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treas. Reg. Section 1.409A-

3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7). If the Plan receives a domestic relations order (within the meaning of Code Section 414(p)(1)(B)) directing that all or a portion of a Participant's Accounts be paid to an "alternate payee," any amounts to be paid to the alternate payee(s) shall be paid in a single lump sum.

ARTICLE VII

Modifications to Payment Schedules

- 7.1 Participant's Right to Modify. A Participant may modify any or all of the alternative Payment Schedules with respect to an Account, consistent with the permissible Payment Schedules available under the Plan, provided such modification complies with the requirements of this Article VII.
- 7.2 Time of Election. The date on which a modification election is submitted to the Committee must be at least 12 months prior to the date on which payment is scheduled to commence under the Payment Schedule in effect prior to the modification.
- 7.3 Date of Payment under Modified Payment Schedule. The date payments are to commence under the modified Payment Schedule must be no earlier than five (5) years after the date payment would have commenced under the Payment Schedule in effect at the time the modification election was submitted. Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409 A.
- 7.4 Effective Date. A modification election submitted in accordance with this Article VII is irrevocable upon receipt by the Committee and becomes effective 12 months after such date.
- 7.5 Effect on Accounts. An election to modify a Payment Schedule is specific to the Account or payment event to which it applies, and shall not be construed to affect the Payment Schedules of any other Accounts.

ARTICLE VIII

Crediting Date and Valuation of Account Balances; Investments

- 8.1 Crediting Date and Valuation. Deferrals shall be credited to appropriate Accounts on the date such Compensation would have been paid to the Participant absent the Deferral. Company Contributions shall be credited to the Retirement/Termination Account at the times determined by the Committee. Valuation of Accounts shall be performed under procedures approved by the Committee.

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- 8.2 Adjustment for Earnings. Each Account will be adjusted to reflect Earnings on each Business Day. Adjustments shall reflect the net earnings, gains, losses, expenses, appreciation and depreciation associated with an investment option for each portion of the Account allocated to such option ("investment allocation").
- 8.3 Investment Options. Investment options will be determined by the Committee. The Committee, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change.
- 8.4 Investment Allocations. A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Participating Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account Balances.

A Participant shall specify an investment allocation for each of his or her Accounts in accordance with procedures established by the Committee. Allocation among the investment options must be designated in increments of 1%. The Participant's investment allocation will become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day.

A Participant may change an investment allocation on any Business Day, both with respect to future credits to the Plan and with respect to existing Account Balances, in accordance with procedures adopted by the Committee. Changes shall become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day, and shall be applied prospectively.

- 8.5 Unallocated Deferrals and Accounts. If the Participant fails to make an investment allocation with respect to an Account, such Account shall be invested in an investment option, the primary objective of which is the preservation of capital, as determined by the Committee.

ARTICLE IX

Administration

- 9.1 Plan Administration. This Plan shall be administered by the Committee which shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Committee and resolved in accordance with the claims procedures in Article XII.

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- 9.2 **Withholding.** The Participating Employer shall have the right to withhold from any payment due under the Plan (or with respect to any amounts credited to the Plan) any taxes required by law to be withheld in respect of such payment (or credit). Withholdings with respect to amounts credited to the Plan shall be deducted from Compensation that has not been deferred to the Plan.
- 9.3 **Indemnification.** The Participating Employers shall indemnify and hold harmless each employee, officer or director to whom are delegated duties, responsibilities, and authority under the Plan or otherwise with respect to administration of the Plan, including, without limitation, the Committee, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or her or it (including but not limited to reasonable attorneys' fees) which arise as a result of his or her or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Participating Employer. Notwithstanding the foregoing, the Participating Employer shall not indemnify any person if his or her or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Participating Employer consents in writing to such settlement or compromise.
- 9.4 **Delegation of Authority.** In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who shall be legal counsel to the Company.
- 9.5 **Binding Decisions or Actions.** The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE X

Amendment and Termination

- 10.1 **Amendment and Termination.** The Company may at any time and from time to time amend the Plan or may terminate the Plan as provided in this Article X. Each Participating Employer may also terminate its participation in the Plan.
- 10.2 **Amendments.** The Company, by action taken by its Board of Directors, may amend the Plan at any time and for any reason, provided that any such amendment shall not reduce the vested Account Balances of any Participant accrued as of the date of any such amendment or restatement (as if the Participant had incurred a voluntary Separation from Service on such date) or reduce any rights of a Participant under the Plan or other Plan features with respect to Deferrals made prior to the date of any such amendment or restatement without the consent of the Participant. The Board of Directors of the

Company may delegate to the Committee the authority to amend the Plan without the consent of the Board of Directors.

- 10.3 Termination. The Company, by action taken by its Board of Directors, may terminate the Plan and pay Participants and Beneficiaries their Account Balances in a single lump sum at any time, to the extent and in accordance with Treas. Reg. Section 1.409A-3(j)(4)(ix). If a Participating Employer terminates its participation in the Plan, the benefits of affected Employees shall be paid at the time provided in Article VI.
- 10.4 Accounts Taxable Under Code Section 409A. The Plan is intended to constitute a plan of deferred compensation that meets the requirements for deferral of income taxation under Code Section 409A. The Committee, pursuant to its authority to interpret the Plan, may sever from the Plan or any Compensation Deferral Agreement any provision or exercise of a right that otherwise would result in a violation of Code Section 409A.

ARTICLE XI

Informal Funding

- 11.1 General Assets. Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article XI. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in assets of the Participating Employers. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employer.
- 11.2 Rabbi Trust. A Participating Employer may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Plan. Payments under the Plan may be paid from the general assets of the Participating Employer or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

ARTICLE XII

Claims

- 12.1 Filing a Claim. Any controversy or claim arising out of or relating to the Plan shall be filed in writing with the Committee which shall make all determinations concerning such claim. Any claim filed with the Committee and any decision by the Committee denying such claim shall be in writing and shall be delivered to the Participant or Beneficiary filing the claim (the "Claimant").

- (a) *In General.* Notice of a denial of benefits will be provided within 90 days of the Committee's receipt of the Claimant's claim for benefits. If the Committee determines that it needs additional time to review the claim, the Committee will provide the Claimant with a notice of the extension before the end of the initial 90-day period. The extension will not be more than 90 days from the end of the initial 90-day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Committee expects to make a decision.
- (b) *Contents of Notice.* If a claim for benefits is completely or partially denied, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language. The notice shall: (i) cite the pertinent provisions of the Plan document, and (ii) explain, where appropriate, how the Claimant can perfect the claim, including a description of any additional material or information necessary to complete the claim and why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review.

12.2 Appeal of Denied Claims. A Claimant whose claim has been completely or partially denied shall be entitled to appeal the claim denial by filing a written appeal with a committee designated to hear such appeals (the "Appeals Committee"). A Claimant who timely requests a review of the denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Appeals Committee. All written comments, documents, records, and other information shall be considered "relevant" if the information: (i) was relied upon in making a benefits determination, (ii) was submitted, considered or generated in the course of making a benefits decision regardless of whether it was relied upon to make the decision, or (iii) demonstrates compliance with administrative processes and safeguards established for making benefit decisions. The Appeals Committee may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal.

- (a) *In General.* Appeal of a denied benefits claim must be filed in writing with the Appeals Committee no later than 60 days after receipt of the written notification of such claim denial. The Appeals Committee shall make its decision regarding the merits of the denied claim within 60 days following receipt of the appeal (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Appeals Committee expects to render the determination on review. The review will take into account comments, documents, records and other information submitted by

the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.

- (b) *Contents of Notice.* If a benefits claim is completely or partially denied on review, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language.

The decision on review shall set forth: (i) the specific reason or reasons for the denial, (ii) specific references to the pertinent Plan provisions on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant (as defined above) to the Claimant's claim, and (iv) a statement describing any voluntary appeal procedures offered by the Plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

- 12.4 Legal Action. A Claimant may not bring any legal action, including commencement of any arbitration, relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures. Any such legal action must be commenced within one year of a final determination hereunder with respect to such claim.
- 12.5 Discretion of Appeals Committee. All interpretations, determinations and decisions of the Appeals Committee with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

ARTICLE XIII

General Provisions

- 13.1 Assignment. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary. Notwithstanding anything to the contrary herein, however, the Committee has the discretion to make payments to an alternate payee in accordance with the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)).

The Company may assign any or all of its liabilities under this Plan in connection with any restructuring, recapitalization, sale of assets or other similar transactions affecting a Participating Employer without the consent of the Participant.

- 13.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service

of the Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved. The Participating Employers make no representations or warranties as to the tax consequences to a Participant or a Participant's beneficiaries resulting from a deferral of income pursuant to the Plan.

- 13.3 No Employment Contract. Nothing contained herein shall be construed to constitute a contract of employment between an Employee and a Participating Employer.
- 13.4 Notice. Any notice or filing required or permitted to be delivered to the Committee under this Plan shall be delivered in writing, in person, or through such electronic means as is established by the Committee. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:

**TEXAS ROADHOUSE MANAGEMENT CORP.
ATTN: BENEFITS
6040 DUTCHMANS LANE, SUITE 200
LOUISVILLE, KENTUCKY 40205**

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.

- 13.5 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.
- 13.6 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Committee may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.
- 13.7 Lost Participants or Beneficiaries. Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Committee advised of his or her current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Committee shall presume that the payee is missing. The Committee, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored.
- 13.8 Facility of Payment to a Minor. If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Committee may, in its discretion, make such distribution: (i) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains his or her residence, or (ii) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall

fully discharge the Committee, the Company, and the Plan from further liability on account thereof.

13.9 Governing Law. To the extent not preempted by ERISA, the laws of the Commonwealth of Kentucky shall govern the construction and administration of the Plan.

IN WITNESS WHEREOF, the undersigned executed this Plan as of the 7 day of January, 2010, to be effective as of the Effective Date.

Texas Roadhouse Management Corp.

By: /s/ W. Kent Taylor (Print Name)
Its: Chairman (Title)

/s/ W. Kent Taylor (Signature)

SUBSIDIARIES OF THE COMPANY
(as of December 30, 2014)

I. SUBSIDIARIES WHOLLY-OWNED BY TEXAS ROADHOUSE, INC.

NAME OF ENTITY	FORM OF ENTITY
Strategic Restaurant Concepts, LLC	Kentucky limited liability company
Armadillo, Inc.	Colorado corporation
Roadhouse-Creek of NJ, LLC	Kentucky limited liability company
Texas Roadhouse Development Corporation	Kentucky corporation
Texas Roadhouse Holdings LLC	Kentucky limited liability company
Texas Roadhouse International, LLC	Nevada limited liability company
Texas Roadhouse Management Corp.	Kentucky corporation

II. INDIRECTLY WHOLLY-OWNED SUBSIDIARIES

NAME OF ENTITY	FORM OF ENTITY
Roadhouse Enterprises, Inc.	Texas Corporation
Texas Roadhouse Delaware LLC	Delaware limited liability company
Texas Roadhouse of Kansas, LLC	Kansas limited liability company
Texas Roadhouse of Reno, NV, LLC	Nevada limited liability company
Texas Roadhouse of Vermont, LLC	Vermont limited liability company
TRDC International, LLC	Nevada limited liability company
Texas Roadhouse International Services, LLC	Kentucky limited liability company
Roadhouse Private Beverage Club of Pelham, Inc.	Alabama Corporation
Texas Roadhouse of Vermont Intermediate Holdings	Vermont limited liability company
Texas Roadhouse Administrative Services, LLC	Kentucky limited liability company
SRC Beverage Corp.	Texas Corporation
Texas Roadhouse of Baltimore County, MD	Kentucky limited liability company

III. PARTIALLY-OWNED SUBSIDIARIES

NAME OF ENTITY	FORM OF ENTITY
Roadhouse of New Berlin, LLC	Kentucky limited liability company
Texas Roadhouse of Austin-North, Ltd.	Kentucky limited partnership
Texas Roadhouse of Austin, Ltd.	Kentucky limited partnership
Texas Roadhouse of Baytown, TX, LLC	Kentucky limited liability company
Texas Roadhouse of Corona, CA LLC	Kentucky limited liability company
Texas Roadhouse of Fort Myers, FL, LLC	Kentucky limited liability company
Texas Roadhouse of Gilbert, AZ, LLC	Kentucky limited liability company
Texas Roadhouse of Hendersonville, de Novo, LLC	Kentucky limited liability company

Texas Roadhouse of Huber Heights, LLC	Kentucky limited liability company
Texas Roadhouse of Jacksonville, NC, LLC	Kentucky limited liability company
Texas Roadhouse of Lancaster OH, LLC	Kentucky limited liability company
Texas Roadhouse of Lexington, KY, II, LLC	Kentucky limited liability company
Texas Roadhouse of Mansfield, Ltd.	Kentucky limited partnership
Texas Roadhouse of Menifee, CA, LLC	Kentucky limited liability company
Texas Roadhouse of Parker, LLC	Kentucky limited liability company
Texas Roadhouse of Stillwater, OK, LLC	Kentucky limited liability company
Texas Roadhouse of Warwick, LLC	Kentucky limited liability company

Majority-Owned Subsidiaries

Texas Roadhouse of Austin-North, Ltd.
 Texas Roadhouse of Austin, Ltd.
 Texas Roadhouse of Baytown, TX, LLC
 Texas Roadhouse of Fort Myers, FL, LLC
 Texas Roadhouse of Gilbert, AZ, LLC
 Texas Roadhouse of Hendersonville, de Novo, LLC
 Texas Roadhouse of Huber Heights, LLC
 Texas Roadhouse of Jacksonville, NC, LLC
 Texas Roadhouse of Lancaster OH, LLC
 Texas Roadhouse of Lexington, KY, II, LLC
 Texas Roadhouse of Mansfield, Ltd.
 Texas Roadhouse of Menifee, CA, LLC
 Texas Roadhouse of Parker, LLC
 Texas Roadhouse of Stillwater, OK, LLC
 Texas Roadhouse of Warwick, LLC

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Texas Roadhouse, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-121241 and 333-188683) on Form S-8 of Texas Roadhouse, Inc. of our reports dated February 27, 2015, with respect to the consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries as of December 30, 2014 and December 31, 2013, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 30, 2014, and the effectiveness of internal control over financial reporting as of December 30, 2014, which reports appear in the December 30, 2014 annual report on Form 10-K of Texas Roadhouse, Inc.

/s/ KPMG LLP
Louisville, Kentucky
February 27, 2015

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[Exhibit 23.1](#)

[Consent of Independent Registered Public Accounting Firm](#)

**CERTIFICATION OF CHIEF 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-K 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 the 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: February 27, 2015

By: /s/ W. KENT TAYLOR

W. Kent Taylor
Chief Executive Officer

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[Exhibit 31.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT](#)

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

I, Scott M. Colosi, certify that:

1. I have reviewed this report on Form 10-K 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 the 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: February 27, 2015

By: /s/ SCOTT M. COLOSI

Scott M. Colosi
President and Chief Financial Officer

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[Exhibit 31.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT](#)

**CERTIFICATION OF CHIEF 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 Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2014 (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: February 27, 2015

By: /s/ W. KENT TAYLOR

W. Kent Taylor
Chief Executive Officer

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[Exhibit 32.1](#)

[CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350](#)

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

I, Scott M. Colosi, Chief 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 Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2014 (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: February 27, 2015

By: /s/ SCOTT M. COLOSI

Scott M. Colosi
President and Chief Financial Officer

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[Exhibit 32.2](#)

[CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350](#)

