

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Amendment No. 1**  
**to**  
**FORM S-1**  
**REGISTRATION STATEMENT**  
*under*  
*The Securities Act of 1933*

**Chuy's Holdings, Inc.**  
(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**5812**  
(Primary Standard Industrial Classification Code Number)  
1623 Toomey Rd.  
Austin, Texas 78704

**20-5717694**  
(I.R.S. Employer Identification Number)

(Address, including zip code, of Registrant's principal executive offices)

Steven J. Hislop  
President and Chief Executive Officer  
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(512) 473-2783  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:**  
**As soon as practicable after the effective date of this Registration Statement.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE(3)
Common Stock, par value \$0.01 per share	5,175,000	\$22.95	\$118,766,250	\$16,200

- (1) Includes shares of common stock that may be sold pursuant to the underwriter's option to purchase additional shares.
- (2) Estimated solely for the purpose of computing the amount of the registration fee. In accordance with Rule 457(c) under the Securities Act of 1933, as amended, the price shown is the average of the high and low selling price of the common stock on January 8, 2013, as reported on The Nasdaq Global Select Market.
- (3) The registration fee was previously paid.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JANUARY 22, 2013

PRELIMINARY PROSPECTUS

4,500,000 Shares



**Chuy's Holdings, Inc.  
Common Stock**

The selling stockholders identified in this prospectus are offering 4,500,000 shares of our common stock. We will not receive any of the proceeds from the sale of shares by the selling stockholders. Our common stock is listed on the Nasdaq Global Select Market under the symbol "CHUY." The last sale price of our common stock on January 18, 2013, as reported by the Nasdaq Global Select Market, was \$24.36 per share.

Investing in our common stock involves a high degree of risk. Please read "Risk Factors" beginning on page 15 of this prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

We are an "emerging growth company" under the federal securities laws and are subject to reduced public company reporting requirements.

	PER SHARE	TOTAL
Public Offering Price	\$	\$
Underwriting Discounts and Commissions		
Proceeds to Selling Stockholders, before expenses		

Delivery of the shares of common stock is expected to be made on or about \_\_\_\_\_, 2013. The selling stockholders have granted the underwriters an option for a period of 30 days to purchase an additional 675,000 shares of our common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by the selling stockholders will be \$ \_\_\_\_\_ and the total proceeds to the selling stockholders, before expenses, will be \$ \_\_\_\_\_.

**Jefferies**

**Baird**

**KeyBanc Capital Markets**

**Raymond James**

**Stephens Inc.**

Prospectus dated \_\_\_\_\_, 2013

The information contained in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.





## Enchiladas RECO

All enchiladas are rolled to order with your choice of Mexican rice

• Add a crispy taco & guacamole

### Chuy's Special.....

An authentic New Mexican hand-pulled chicken, cheese

### Classic Tex-Mex.....

Cheese & onion with Tex-Mex

### Chicka-Chicka Bo.....

Freshly-roasted, hand-pulled roasted New Mexican

### Veggie.....

Spinach, onions, zucchini cheese in homemade bñ

### Deluxe Chicken.....

Freshly-roasted, hand-p

### Southwestern.....

A New Mexican tradit chicken, cheese & Gr

### CUSTOM ENCHIL

Seasoned ground sir

## Fajitas Our pep

Your choice of beef, chic handmade flour tortillas, rice & refried beans



## Appetizers

**Chile Con Queso**..... \$ 5.89  
Homemade blend of melted cheese, Green Chile sauce and Ranchero sauce

**Queso Compuesto**..... \$ 6.89  
Chile con queso with seasoned ground sirloin, guacamole and pico de gallo

**Guacamole**..... \$ 5.69  
A creamy blend of fresh avocados and Salsa Fresca

**Nachos**..... \$ 4.49  
Freshly made tostada chips layered with refried beans, cheese & jalapeños with lettuce & tomato

**Special Nachos**..... \$ 7.49  
Same as above with guacamole & pico de gallo

**Panchos**..... \$ 8.69  
Special nachos with your choice of fajita chicken, fajita beef or seasoned ground sirloin

**Quesadillas**..... \$ 6.79  
Handmade flour tortillas stuffed with cheese, green chiles & onion. Served with guacamole, sour cream & pico de gallo

**Deluxe Quesadillas**..... \$ 7.89  
Same as above with fajita chicken

**Appetizer Plate**..... \$ 9.29  
Chile con queso, nachos, deluxe quesadillas, chicken flautas, guacamole & sour cream

## Salads & Soups

**Taco Salad**..... \$ 8.29  
Homemade tortilla bowl with fresh, mixed salad greens, tomatoes, cheese, guacamole & your choice of fajita chicken, fajita beef or seasoned ground sirloin

**Grilled Chicken Salad**..... \$ 8.49  
Fajita chicken, tomatoes & avocados on a bed of fresh, mixed salad greens

**Mexi-Cobb Salad**..... \$ 8.49  
Fajita chicken, green chiles, cheese, avocados & tomatoes on a bed of fresh, mixed salad greens

**Large Dinner Salad**..... \$ 4.99  
Tomatoes, cucumbers and fresh, mixed salad greens

**Tortilla Soup** small \$ 3.99 large \$ 6.89  
Chuy's famous recipe. Homemade chicken broth with freshly-roasted, hand-pulled chicken, avocado, roasted cheese and tortilla strips

**Tex-Mex Salad Combinations**..... \$ 8.29  
Large Dinner Salad with your choice of:  
Enchilada, Mini Burrito, Tortilla Soup

**Salad Dressings, made fresh daily:**  
Creamy Jalapeño, Honey Mustard, Cilantro Vinaigrette & Ranch



Chuy's Deluxe T-shirts - Our own super soft, 100% cotton shirts made famous on MTV, at the Olympics & around the world!

## Tacos

Served with your choice of Mexican rice or green chile rice & refried or charro beans.

**Soft Tacos**..... \$ 7.99  
Handmade flour tortillas with lettuce, cheese, pico de gallo & guacamole

**Crispy Tacos**..... \$ 7.99  
Hand-formed corn tortillas filled with seasoned ground sirloin, lettuce, cheese & tomatoes

**Tacos Al Carbon**..... \$ 9.59  
Freshly made flour tortillas filled with fajita chicken or beef, grilled onions and green chiles

**Baja Tacos**..... \$ 8.79  
Freshly made flour tortillas with your choice of lightly battered and fried fish or shrimp, cilantro, red cabbage and Creamy Jalapeño

## Famous "Big As Yo Face" Burritos

A homemade, 12" flour tortilla stuffed with refried beans, cheese and your choice of the following. Served with your choice of sauce & your choice of Mexican rice or green chile rice.

**Bean & Cheese**..... \$ 7.89

**Seasoned Ground Sirloin**..... \$ 7.99

**Fresh, Oven-Roasted Chicken**..... \$ 8.99

**Fajita Chicken or Fajita Beef**..... \$ 9.29



## House Specialties

Served with your choice of Mexican rice or green chile rice & refried or charro beans.

**Chile Rellenos**..... \$ 8.99  
An authentic New Mexican favorite. A fresh Anaheim pepper, fire-roasted and filled with your choice of the following. Battered and fried to perfection. Drizzled with sour cream.

**Cheese with Ranchero sauce**..... \$ 8.99

**Seasoned Ground Sirloin with Ranchero sauce**..... \$ 9.29

**Fresh, Oven-Roasted Chicken & Cheese**..... \$ 9.49

**Shrimp & Cheese** with Deluxe Tomatillo sauce..... \$ 9.49

**Chuychanga**..... \$ 8.99  
A fried flour tortilla filled with fresh, oven-roasted chicken, cheese, cilantro & green chiles, garnished with sour cream & your choice of sauce

**Steak Burrito**..... \$ 9.49  
A handmade, 12" flour tortilla stuffed with sliced grilled steak & cheese, topped with spicy Hatch Green Chile sauce. Served with green chile rice & charro beans

**Chicken Flautas**..... \$ 7.99  
Homemade corn tortillas filled with freshly-roasted, hand-pulled chicken, rolled, fried and drizzled with our smoky, red chipotle sauce. Served with guacamole and sour cream

**Elvis Green Chile Fried Chicken**..... \$ 8.99  
A Chuy's original. A tender chicken breast breaded with Lay's® potato chips, deep fried and smothered in Green Chile sauce and cheddar cheese. Served with green chile rice and refried beans

- #1 Cor Chee taco,
- #2 The Beef seat
- #3 Ta Ser
- #4 Ri Yc
- #5 C C C
- #6
- #7

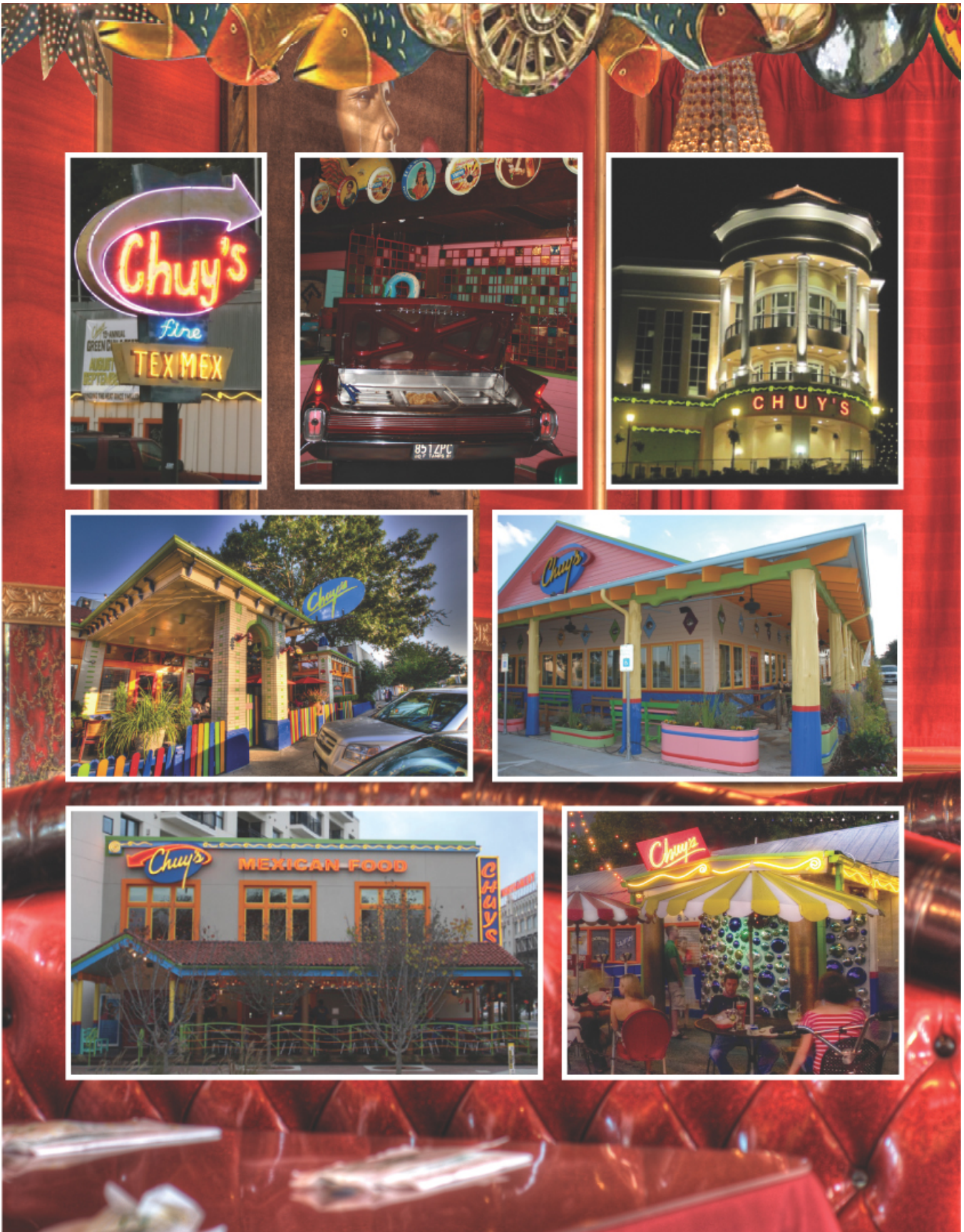
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Denotes meatless plates

15% gratuity added

www.chuys.com





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You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell these securities. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus.



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### **Basis of Presentation**

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2009, 2010 and 2011 fiscal years each consisted of 52 weeks. Our 2012 fiscal year will consist of 53 weeks. Fiscal years are identified in this prospectus according to the calendar year in which the fiscal year ends. For example, references to "2011," "fiscal 2011," "fiscal year 2011" or similar references refer to the fiscal year ending December 25, 2011.

References to comparable restaurants in this prospectus include restaurants operating in and following the first full quarter following the 18th month of operations. As of September 25, 2011 and September 23, 2012, we had 17 and 23 comparable restaurants, respectively.

Unless otherwise indicated, the information presented in this prospectus is based on the assumption that the underwriters will not exercise their option to purchase additional shares. Unless otherwise indicated, all references to "dollars" and "\$" in this prospectus are to, and amounts are presented in, U.S. dollars.

Unless otherwise specified or the context otherwise requires, the references in this prospectus to "our company," "the Company," "us," "we" and "our" refer to Chuy's Holdings, Inc. together with its subsidiaries.

Unless otherwise indicated or the context otherwise requires, financial and operating data in this prospectus reflects the consolidated business and operations of Chuy's Holdings, Inc. and its wholly owned subsidiaries.

### ***Initial Public Offering and Reverse Stock Split***

On July 27, 2012, we completed our initial public offering ("IPO") of our common stock. We issued 6,708,332 shares, including 874,999 shares sold to the underwriters pursuant to their over-allotment option. We received net proceeds from the offering of approximately \$78.1 million (after estimated offering expenses). In connection with our IPO, on July 11, 2012, we amended our certificate of incorporation to effect a 2.7585470602469:1 reverse stock split of our common stock, series A preferred stock, series B preferred stock and series X preferred stock. Concurrent with the reverse stock split, we adjusted the number of shares subject to, and the exercise price of, our outstanding stock option awards under the Amended and Restated 2006 Stock Option Plan such that the holders of the options were in the same economic position both before and after the reverse stock split. On July 27, 2012, we amended and restated our certificate of incorporation to convert each outstanding share of our series A preferred stock, series B preferred stock and series X preferred stock into our common stock on a 1:1 basis. Unless otherwise indicated, all share data gives effect to the reverse stock split, the adjustment of the terms of our outstanding options and the conversion of our preferred stock.

### **Industry and Market Data**

This prospectus includes industry and market data that we derived from internal company records, publicly available information and industry publications and surveys, such as reports from KNAPP-TRACK, the National Restaurant Association and Technomic, Inc. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. We believe this data is accurate in all material respects as of the date of this prospectus. You should carefully consider the inherent risks and uncertainties associated with the industry and market data contained in this prospectus.

KNAPP-TRACK is a monthly sales and guest count tracking service for the full service restaurant industry in the United States, which tracks over 10,400 restaurants with over \$32.1 billion in total sales. Each monthly KNAPP-TRACK report aggregates the change in comparable restaurant sales and guest counts compared to the same month in the preceding year from the competitive set of participants in the full service restaurant industry. We and other restaurants use the data included in the monthly KNAPP-TRACK report as one way of benchmarking our performance.

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**Trademarks and Copyrights**

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. Solely for convenience, some of the trademarks, trade names and copyrights referred to in this prospectus are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our copyrights, trademarks and trade names.

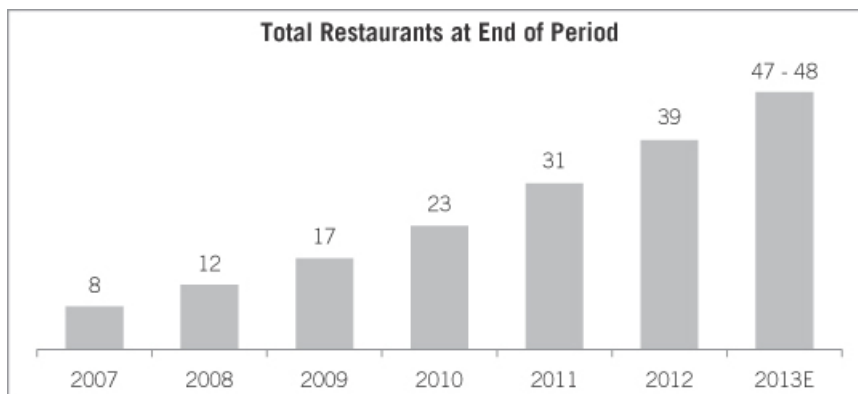
## PROSPECTUS SUMMARY

*The following summary highlights information contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common shares. You should read this prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.*

### Business Overview

Chuy's is a fast-growing, full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex Mex inspired food. We were founded in Austin, Texas in 1982 by Mike Young and John Zapp and, as of September 23, 2012, we operated 38 Chuy's restaurants across Texas, Tennessee, Kentucky, Alabama, Indiana, Georgia, Florida and Oklahoma with an average unit volume of \$5.0 million for our 23 comparable restaurants for the twelve months ended September 23, 2012. Our restaurants have a common décor, but we believe each location is unique in format, offering an "unchained" look and feel, as expressed by our motto "If you've seen one Chuy's, you've seen one Chuy's!" We believe our restaurants have an upbeat, funky, eclectic, somewhat irreverent atmosphere while still maintaining a family-friendly environment. We are committed to providing value to our customers through offering generous portions of made-from-scratch, flavorful Mexican and Tex Mex inspired dishes. We believe our employees are a key element of our culture and set the tone for a fun, family-friendly atmosphere with attentive service.

We have grown the total number of Chuy's restaurants from eight locations as of December 30, 2007 to 40 locations as of January 18, 2013, representing a compound annual growth rate of 37.4%. We opened eight restaurants in 2012 and plan to open eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. From fiscal year 2007 to the twelve months ended September 23, 2012, our annual revenue increased from \$42.1 million to \$159.2 million and our Adjusted EBITDA increased from \$5.7 million to \$23.4 million, representing compounded annual growth rates of 32.3% and 34.6%, respectively. Over the same period, our net income (loss) increased from (\$0.9 million) to \$3.2 million. For fiscal year 2011, our net income was \$3.5 million and for the thirty-nine weeks ended September 23, 2012, our net income was \$2.9 million. For a reconciliation of Adjusted EBITDA, a non-GAAP term, to net income, see footnote 4 to "—Summary Historical Financial and Operating Data." For additional information about our annual revenue and Adjusted EBITDA growth, see "Business—Business Overview." Our change in comparable restaurant sales has outperformed the KNAPP-TRACK™ index of casual dining restaurants for each of the last five years. In our quarterly period ended September 23, 2012, comparable restaurant sales increased 1.5% over the same period from the prior year. We believe the broad appeal of the Chuy's concept, historical unit economics and flexible real estate strategy enhance the portability of our concept and provide us opportunity for continued expansion.



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We offer the same core menu during lunch and dinner, which was created using recipes from families and friends of our founders, and includes enchiladas, fajitas, tacos, burritos, combination platters and daily specials, complemented by a variety of appetizers, soups and salads. Each of our restaurants also offers a variety of homemade sauces made from scratch daily in every restaurant, including the signature Hatch green chile and creamy jalapeño sauces, all of which provide our customers with an added ability to customize their orders. Our menu offers considerable value to our customers, with only three out of 49 menu items priced over \$10.00. We also offer a full-service bar in all of our restaurants providing our customers a wide variety of beverage offerings, featuring a selection of specialty cocktails including our signature on-the-rocks margaritas made with fresh, hand-squeezed lime juice and the Texas Martini, a made-to-order, hand-shaken cocktail served with jalapeño-stuffed olives. For the twelve months ended September 23, 2012, alcoholic beverages constituted 19.4% of our total restaurant sales.

While the layout in each of our restaurants varies, we maintain distinguishable elements across our locations, including hand-carved, hand-painted wooden fish imported from Mexico, a variety of vibrant Mexican folk art, a "Nacho Car" that provides complimentary chips, salsa and chile con queso in the trunk of a classic car, vintage hubcaps hanging from the ceiling, colorful hand-made floor and wall tile and festive metal palm trees. Our restaurants range in size from 5,300 to 12,500 square feet, with seating for approximately 225 to 400 customers. Nearly all of our restaurants feature outdoor patios. We design our restaurants to have flexible seating arrangements that allow us to cater to families and parties of all sizes. Our brand strategy of having an "unchained" look and feel allows our restaurants to establish their own identity and provides us with a flexible real estate model, which includes ground-up prototypes and conversions of existing structures. Our restaurants are open for lunch and dinner seven days a week, serving approximately 7,500 customers per location per week or 400,000 customers per location per year, on average.

### **Our Business Strengths**

Over our 30-year operating history, we have developed and refined the following strengths:

*Fresh, Authentic Mexican and Tex Mex Inspired Cuisine.* Our goal is to provide unique, authentic Mexican and Tex Mex inspired food using only the freshest ingredients. We believe we serve authentic Mexican and Tex Mex inspired food based on our recipes, ingredients, cooking techniques and food pairings, which originated from our founders' friends and families from Mexico, New Mexico and Texas. Every day in each restaurant, we roast and hand pull whole chickens, hand roll fresh tortillas, squeeze fresh lime juice, prepare fresh guacamole from whole avocados and make all nine to eleven of our homemade sauces using high-quality ingredients. We believe this commitment to made-from-scratch, freshly prepared cooking results in great tasting, high-quality food, a sense of pride among our restaurant employees and loyalty among our customers. We believe our commitment to serving high-quality food is also evidenced by us serving only Choice quality beef and fresh ingredients. We believe our servers and kitchen staff are highly proficient in executing the core menu and capable of satisfying large quantities of custom orders, as the majority of our orders are customized.

*Considerable Dining Value with Broad Customer Appeal.* We are committed to providing value to our customers through offering generous portions of flavorful Mexican and Tex Mex inspired dishes using fresh, high-quality ingredients. We believe our menu offers a considerable value proposition to our customers, with only three out of our 49 menu items priced over \$10.00. Further highlighting our value proposition, for the twelve months ended September 23, 2012, our average check was \$13.06. Although our core demographic is ages 21 to 44, we believe our restaurants appeal to a broad spectrum of customers and will continue to benefit from trends in consumers' preferences. We believe consumers are craving bold, spicy and flavorful foods, like those featured in our core offering, and there is increasing demand for fresh, authentic Mexican and Tex Mex inspired food combined with a fun and festive dining experience. We believe we are also an attractive venue for families and other large parties, and consider many of our restaurants to be destination locations, drawing customers from as far as 30 miles away.

*Upbeat Atmosphere Coupled with Irreverent Brand Helps Differentiate Concept.* As stated in our motto "If you've seen one Chuy's, you've seen one Chuy's!" each of our restaurants is uniquely designed. However, most

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share a few common elements – hand-carved, hand-painted wooden fish, vintage hubcaps hanging from the ceiling, colorful hand-made floor and wall tile, palm trees crafted from scrap metal and a variety of colorful Mexican folk art, most of which is imported from Mexico. Additionally, virtually all restaurants feature a complimentary self-serve “Nacho Car,” a hollowed-out, customized classic car trunk filled with fresh chips, salsa and chile con queso. We believe these signature elements, combined with attentive service from our friendly and energetic employees, create an upbeat ambience with a funky, eclectic and somewhat irreverent atmosphere. Our restaurants feature a fun and energetic mix of rock and roll rather than traditional Mexican-style music. Many of our restaurants have added unique, local elements such as a special wall of photos featuring customers with their friends, families and dogs, which we believe have allowed our customers to develop a strong sense of pride and ownership in their local Chuy’s.

*Deep Rooted and Inspiring Company Culture.* We believe the Chuy’s culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and restaurant experience. Since our founding in 1982, we believe we have developed close personal relationships with our customers, employees and vendors. We emphasize a fun, passionate and authentic culture and support active social responsibility and involvement in local communities. We believe our employees and customers share a unique energy and passion for our concept. We are proud of our annual employee turnover rate at comparable restaurants, which as of September 23, 2012, was 22.2% for managers and 69.4% for hourly employees, and our goal of promoting 40% of restaurant-level managers from within, as well as our solid base of repeat customers.

In order to retain our unique culture as we grow, we devote substantial resources to identifying, selecting and training our restaurant-level employees. We typically have ten in-store trainers at each existing location who provide both front- and back-of-the-house training on site. We also have an approximately 20-week training program for all of our restaurant managers, which consists of an average of 11 weeks of restaurant training and eight to nine weeks of “cultural” training, in which managers observe our established restaurants’ operations and customer interactions. We believe our focus on cultural training is a core aspect of our company and reinforces our commitment to the Chuy’s brand identity. In conjunction with our training activities, we hold “Culture Clubs” four or more times per year, as a means to fully impart the Chuy’s story through personal appearances by our founders Mike Young and John Zapp.

*Flexible Business Model with Industry Leading Unit Economics.* We have a long standing track record of consistently producing high average unit volumes relative to competing Mexican concepts, as well as established casual dining restaurants. For the twelve months ended September 23, 2012, our comparable restaurants generated average unit volumes of \$5.0 million, with our highest volume restaurant generating \$7.9 million and our lowest volume restaurant generating \$3.2 million. We maintain strong Restaurant-Level EBITDA margins at our comparable restaurants, which for the twelve months ended September 23, 2012 represented 21.2% of revenues. For a reconciliation of Restaurant-Level EBITDA, a non-GAAP term, to net income, see footnote 4 to “—Summary Historical Financial and Operating Data.” We have opened and operated restaurants in Texas, the Southeast and the Midwest and achieved attractive rates of return on our invested capital, providing a strong foundation for expansion in both new and existing markets. Under our investment model, our new restaurant openings have historically required a net cash investment of approximately \$1.8 million. For our new unit openings, we estimate that each ground-up buildout of our prototype will require a total cash investment of \$1.7 million to \$2.5 million (net of estimated tenant incentives of between zero and \$0.8 million). We estimate that each conversion will require a total cash investment of \$2.0 million to \$2.2 million. We target a cash-on-cash return beginning in the third operating year of 40.0%, and a sales to investment ratio of 2:1 for our new restaurants. On average, returns on new units opened since 2001 have exceeded these target returns in the second year of operations.

*Experienced Management Team.* We are led by a management team with significant operational experience. Our senior management team has an average of approximately 29 years of restaurant industry experience and our 38 general managers, as of September 23, 2012, have an average tenure at Chuy’s of approximately seven

years. In 2007, we hired our CEO and President, Steve Hislop. Mr. Hislop is the former President of O'Charley's Restaurants, where he spent 19 years performing a variety of functions, including serving as Concept President and a member of the board of directors, and helped grow the business from 12 restaurants to a multi-concept company with 347 restaurants during his tenure. Since Mr. Hislop's arrival in 2007, we have opened 32 new restaurants, as of January 18, 2013, and entered seven new states.

#### **Our Business Strategies**

*Pursue New Restaurant Development.* We plan to open new restaurants in both established and adjacent markets across Texas, the Southeast and the Midwest where we believe we can achieve high unit volumes and attractive unit level returns. We believe the broad appeal of the Chuy's concept, historical unit economics and flexible real estate strategy provide us opportunity for continued expansion. Our new restaurant development will consist primarily of conversions of existing structures, with ground up construction of our prototype in select locations. We have grown our restaurant base through a challenging economic environment. In 2009, we opened five new restaurants, including our first restaurant outside of Texas in Nashville, Tennessee, as well as our first small market restaurant in Waco, Texas. In 2010, we opened six new restaurants including three locations outside of Texas: Murfreesboro, Tennessee; Birmingham, Alabama; and Louisville, Kentucky. In 2011, we opened eight new restaurants, including our first restaurants in Indiana and Georgia. Each of these restaurants opened at high unit volumes with attractive returns. Our restaurants opened since 2001 that have been in operations for more than two years have generated average cash-on-cash returns of greater than 40.0% in the second year of operations. We opened eight restaurants in 2012, including our first restaurants in Oklahoma and Florida, and have commenced development on our 2013 pipeline. We anticipate opening an additional eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. From January 1, 2013 through the end of 2017, we expect to open a total of 59 to 64 new restaurants.

*Deliver Consistent Comparable Restaurant Sales Through Providing High-Quality Food and Service.* We believe we will be able to generate comparable restaurant sales growth by consistently providing an attractive price/value proposition for our customers driven by freshly-prepared, high-quality food with excellent service in an upbeat atmosphere. Though the core menu will remain unchanged, we will continue to explore potential additions as well as limited time food and drink offerings. Additionally, we will continue to promote our brand and drive traffic through local marketing efforts and charity events such as the Chuy's Hot to Trot 5K and the Chuy's Children Giving to Children Parade, as well as our line of eclectic t-shirts.

Additionally, we prioritize customer service in our restaurants, and will continue to invest significantly in ongoing training of our employees. We believe our training initiatives will help enhance customer satisfaction, minimize wait times and help us serve our customers more efficiently during peak periods, which we believe is particularly important at our restaurants that operate at or near capacity.

*Leverage Our Infrastructure.* In preparation for our new restaurant development plan, we have invested in our infrastructure, including both corporate and restaurant-level supervisory personnel, minimizing the need for significant additional investments to support our growth plan in the foreseeable future. Therefore, we believe that as the restaurant base grows, our general and administrative costs will increase at a slower growth rate than our revenue.

#### **Our Challenges**

Before you invest in our stock, you should carefully consider all of the information in this prospectus, including matters set forth under the heading "Risk Factors." Risks relating to our business include, among others, the following:

- our financial results depend significantly upon the success of our existing and new restaurants;
- our long-term success is highly dependent on our ability to successfully identify new locations and develop and expand our operations;

- damage to our reputation or lack of acceptance of our brand in existing or new markets could negatively impact our business, financial condition and results of operations;
- we are susceptible to economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located; and
- changes in food availability and costs could adversely affect our operating results.

At January 18, 2013, we had \$5.0 million of outstanding indebtedness. See "Risk Factors" in this prospectus for risks associated with our ability to execute our growth strategy.

#### **Recent Developments**

We are currently in the process of finalizing our financial results for the fourth quarter of 2012. Based on preliminary unaudited information for the fourth quarter of 2012, we expect that:

- total revenues will be approximately \$46.7 million in the fourth quarter of 2012, an increase of 40.3% compared to revenues of \$33.3 million in the fourth quarter of 2011. Our fourth quarter of 2012 included 14 weeks compared to 13 weeks in the fourth quarter of 2011. Revenues in the fourth quarter of 2012 attributed to the extra week totaled approximately \$3.3 million.
- comparable restaurant sales increased by approximately 5.2% during the fourth quarter for the 13-week period ended December 23, 2012, compared to the 13-week period ended December 25, 2011. Comparable restaurant sales were positively impacted by an extra 1.5 operating days in 2012 as a result of our restaurant closing schedule on Christmas Eve and Christmas Day during the 13-week period in 2011. Excluding the impact of the extra 1.5 days, comparable restaurant sales increased by approximately 3.0%.

Our preliminary results remain subject to the completion of normal quarter-end accounting procedures and adjustments and are subject to change.

We have prepared the preliminary financial data included above, and our independent registered public accounting firm has not audited, reviewed, compiled or performed any procedures with respect to such information. Our independent registered public accounting firm is in the process of conducting its review of our financial statements for the quarter and year ended December 30, 2012. We currently expect that our final results will be consistent with the estimates described above. However, the estimates described above are preliminary and represent the most current information available to management. Therefore, it is possible that our actual results may differ materially from these estimates due to the completion of our final closing procedures and other developments that may arise between now and the time our results for fiscal year 2012 are finalized.

The foregoing preliminary financial results constitute forward looking statements. Actual results may vary materially from the information contained in these forward-looking statements based on a number of factors including, without limitation, the sales at the Company's restaurants, changes in restaurant development or operating costs, changes in restaurant preopening expense, general and administrative expenses, capital expenditures, or our effective tax rate and other factors disclosed from time to time. Please refer to the section entitled "Cautionary Statement Regarding Forward-Looking Statements" in this prospectus for additional information.

### **Refinancing Transactions**

On November 30, 2012, we entered into a \$25.0 million secured revolving credit facility (the “new revolving credit facility”) and borrowed \$5.0 million thereunder to repay the approximately \$5.0 million of debt outstanding under our prior \$67.5 million senior secured credit facility (the “old credit facility”) and to pay fees and expenses associated with our new revolving credit facility. In connection with the repayment of the debt under our old credit facility, we terminated that facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility. We refer to the execution of the new revolving credit facility, the termination of the old credit facility and related transactions as the “Refinancing Transactions.”

On May 24, 2011, we entered into the old credit facility. All borrowings from our previous credit agreements were retired with the proceeds from our old credit facility. We used the proceeds from the old credit facility to, among other things, pay a special dividend totaling approximately \$19.0 million on all outstanding shares of our common stock and preferred stock.

On March 21, 2012, we entered into an amendment to our old credit facility to increase the available amount under the facility from \$67.5 million to \$92.5 million. In connection with the amendment, we borrowed an additional \$25.0 million under the Term A Loan facility under our old credit facility. We refer to the amendment to our old credit facility as the “credit facility amendment.” We used the proceeds of the credit facility amendment to:

- repurchase approximately \$22.4 million of our common stock, series A preferred stock, series B preferred stock, and series X preferred stock on April 6, 2012, which we refer to as the “stock repurchase”;
- pay a \$2.0 million termination fee to terminate the advisory agreement with our Sponsor; and
- pay approximately \$0.6 million of transaction costs related to the credit facility amendment and the stock repurchase.

We used the net proceeds from our IPO and additional Company funds to repay approximately \$79.4 million of the loans outstanding under our old credit facility. The total outstanding debt under our old credit facility after the repayment was approximately \$5.0 million. As of September 23, 2012, we had approximately \$5.0 million of outstanding debt under our old credit facility. On November 30, 2012, we used borrowings under our new revolving credit facility to repay the outstanding debt under and to terminate our old credit facility.

See “Description of Indebtedness” in this prospectus for more information regarding our Refinancing Transactions and the credit facility amendment and see “Certain Relationships and Related Party Transactions” for more information regarding the stock repurchase.

### **Our History**

We were founded in Austin, Texas in 1982 by Michael Young and John Zapp. Our company was incorporated in Delaware in November 2006 in connection with the majority investment in our company by Goode Partners LLC, which we refer to as our Sponsor. In connection with our acquisition, our Sponsor acquired our predecessor entities, which include MY/ZP on Hwy 183, Ltd., a Texas limited partnership, MY/ZP of SA-281, Ltd., a Texas limited partnership, MY/ZP of Round Rock, Ltd., a Texas limited partnership, MY/ZP of Shenandoah, Ltd., a Texas limited partnership, MY/ZP Central Texas, Ltd., a Texas limited partnership, MY/ZP North Lamar, Ltd., a Texas limited partnership, MY/ZP on McKinney, Ltd., a Texas limited partnership, and MY/ZP of River Oaks, Ltd., a Texas limited partnership. As a result of the investment, Goode Chuy’s Holdings, LLC, an affiliate of Goode Partners LLC became our controlling stockholder.

### **Our Principal Stockholders and Controlled Company Status**

As of January 18, 2013, Goode Chuy’s Holdings, LLC, our controlling stockholder, and its affiliates, and MY/ZP Equity LP, which is controlled by our founders Mike Young and John Zapp, own approximately 49.6%, and



5.6%, respectively, of our outstanding common stock. Our controlling stockholder also has the right to vote an additional 1,340,791 shares of our common stock under a voting agreement entered into among us, our controlling stockholder, MY/ZP Equity LP and other stockholders, which will terminate upon consummation of this offering. Upon the completion of this offering and the termination of the voting agreement, Goode Chuy's Holdings, LLC and its affiliates and MY/ZP Equity LP are expected to own approximately 25.6% and 2.9%, respectively, of our outstanding common stock, or 22.7% and 2.6%, respectively, if the underwriters' option to purchase additional shares is fully exercised. Because Goode Chuy's Holdings, LLC will collectively own less than 50% of the total voting power of our common stock, we will no longer be a controlled company within the meaning of the Nasdaq listing standards upon completion of this offering. See "Risk Factors—Although we will not be a controlled company within the meaning of the Nasdaq Marketplace rules upon the completion of this offering, during the phase-in period we may continue to rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies." However, as a result of their significant ownership and voting power with respect to our common stock, Goode Chuy's Holdings, LLC and MY/ZP Equity LP will continue to have significant influence over corporate matters and transactions and may have interests that differ from yours. See "Risk Factors—Our Sponsor will continue to have significant influence over us after this offering, including over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions. Our Founders may also continue to exert significant control over us."

#### **Company Information**

Our principal executive office is located at 1623 Toomey Road, Austin, Texas 78704 and our telephone number is 1-888-HEY-CHUY. Our website address is [www.chuys.com](http://www.chuys.com). Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

#### **Implications of Being an Emerging Growth Company**

As a company with less than \$1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company,

- we may present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations, or MD&A;
- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to give our stockholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.0 billion in annual revenue, have more than \$700.0 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens.

**THE OFFERING**

<b>Shares of common stock offered by the selling stockholders</b>	4,500,000 shares.
<b>Option to purchase additional shares</b>	The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 675,000 additional shares of our common stock.
<b>Ownership after offering</b>	Upon completion of this offering, our principal stockholders, executive officers, directors and affiliated entities will beneficially own approximately 31.4% of our outstanding common stock (27.1% if the underwriters exercise in full their option to purchase additional shares from us), and will continue to have significant control over our affairs. However, following this offering, Goode Chuy's Holdings, LLC will no longer hold a controlling interest in us, and we will no longer be able to avail ourselves of the controlled company exemption under the corporate governance rules of the Nasdaq Stock Market. Our board of directors intends to take all actions necessary to comply with such corporate governance rules, subject to the applicable phase-in periods. See "Principal and Selling Stockholders" and "Management – Director Independence and Controlled Company Status".
<b>Common stock to be outstanding after this offering</b>	15,993,275 shares (assuming the exercise by certain selling stockholders of stock options to purchase 74,848 shares of common stock under the Amended and Restated 2006 Stock Plan to be sold in this offering).
<b>Use of proceeds</b>	We will not receive any proceeds from the sale of common stock by the selling stockholders in this offering. See "Principal and Selling Stockholders."
<b>Dividend policy</b>	<p>We did not declare or pay any dividends on our common stock during fiscal years 2009 and 2010. We declared and paid a one-time dividend of \$1.75 per share on shares of our common stock and our series A preferred stock, series B preferred stock and series X preferred stock during May 2011, totaling \$19.0 million. See "Dividend Policy."</p> <p>We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future.</p> <p>Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements and such other factors as our board of directors deems relevant. In addition, our new revolving credit facility restricts our ability to pay dividends. See "Description of Indebtedness."</p>
<b>Nasdaq Global Select Market symbol</b>	"CHUY"
<b>Risk factors</b>	Investment in our common stock involves substantial risks. You should read this prospectus carefully, including the section entitled "Risk Factors" and the consolidated financial statements and the related notes to those statements included elsewhere in this prospectus before investing in our common stock.

Unless otherwise noted, all information in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares.

**SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA**

The following table sets forth, for the periods and dates indicated, our summary historical financial and operating data. We have derived the statement of operations data for the fiscal years ended December 27, 2009, December 26, 2010 and December 25, 2011 from our audited consolidated financial statements appearing elsewhere in this prospectus. We have derived the statement of operations data for the thirty-nine weeks ended September 25, 2011 and September 23, 2012 and balance sheet data as of September 23, 2012 from our unaudited interim consolidated financial statements appearing elsewhere in this prospectus. You should read this information in conjunction with “Capitalization,” “Selected Historical Consolidated Financial and Operating Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.

	YEAR ENDED <sup>(1)</sup>			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
(Dollars in thousands, except per share data)					
<b>Statement of Operations Data:</b>					
Revenue	\$ 69,394	\$ 94,908	\$ 130,583	\$ 97,321	\$ 125,960
Cost of Sales	18,196	25,626	36,139	27,122	33,764
Labor	21,186	30,394	41,545	30,565	40,295
Operating	10,482	14,292	19,297	14,249	17,810
Occupancy	4,314	5,654	7,622	5,558	7,536
General and administrative	4,617	5,293	7,478	5,611	6,419
Advisory agreement termination fee	—	—	—	—	2,000
Settlement with former director	—	—	245	245	—
Marketing	533	655	964	733	954
Restaurant pre-opening	1,673	1,959	3,385	2,568	2,914
Depreciation and amortization	1,549	2,732	4,448	3,141	4,672
Total costs and expenses	62,550	86,605	121,123	89,792	116,364
Income from operations	6,844	8,303	9,460	7,529	9,596
Interest expense	3,114	3,584	4,362	3,134	5,451
Income before income taxes	3,730	4,719	5,098	4,395	4,145
Income tax provision	1,077	1,428	1,634	1,248	1,243
Net income	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Undistributed earnings allocated to participating interests	\$ 2,620	\$ 5,617	\$ 3,423	\$ 3,110	\$ 2,171
Net income (loss) available to common stockholders	\$ 33	\$ (2,326)	\$ 41	\$ 37	\$ 731
<b>Per Share Data:</b>					
Basic net income per share	\$ 0.26	\$ (17.18)	\$ 0.21	\$ 0.20	\$ 0.21
Diluted net income per share <sup>(2)</sup>	\$ 0.25	\$ (17.18)	\$ 0.20	\$ 0.20	\$ 0.19
Weighted average common stock outstanding					
Basic	126,218	135,392	191,166	181,117	3,539,732
Diluted <sup>(2)</sup>	10,638,514	135,392	10,852,651	10,845,694	11,501,870
<b>Pro Forma Per Share Data:</b> <sup>(3)</sup>					
Basic pro forma net income per share			\$ 0.40		\$ 0.48
Diluted pro forma net income per share			\$ 0.38		\$ 0.46
Pro forma weighted average common stock outstanding					
Basic			15,901,089		15,918,427
Diluted			16,513,002		16,600,682

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	ACTUAL AS OF SEPTEMBER 23, 2012
<b>Balance Sheet Data (at end of period):</b>	
Cash and cash equivalents	\$ 3,561
Working capital (deficit)	(3,500)
Total assets	121,586
Total debt	4,994
Total stockholders' equity	84,831

	YEAR ENDED <sup>(1)</sup>			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
(Dollars in thousands, except per share data)					
<b>Other Financial Data:</b>					
Net cash provided by operating activities	\$ 6,292	\$ 11,752	\$ 17,203	\$ 14,967	\$ 15,211
Net cash used in investing activities	(15,588)	(16,646)	(20,682)	(15,575)	(20,437)
Net cash provided by financing activities	9,750	6,169	2,969	915	5,960
Capital expenditures	15,395	16,370	20,452	15,464	20,118
Restaurant-Level EBITDA <sup>(4)</sup>	\$ 14,683	\$ 18,287	\$ 25,016	\$ 19,094	\$ 25,601
Restaurant-Level EBITDA margin <sup>(4)</sup>	21.2%	19.3%	19.2%	19.6%	20.3%
Adjusted EBITDA <sup>(4)</sup>	\$ 10,349	\$ 13,369	\$ 18,930	\$ 14,783	\$ 19,276
Adjusted EBITDA margin <sup>(4)</sup>	14.9%	14.1%	14.5%	15.2%	15.3%
<b>Operating Data:</b>					
Total restaurants (at end of period)	17	23	31	29	38
Total comparable restaurants (at end of period) <sup>(5)</sup>	8	13	18	17	23
Average sales per comparable restaurant	\$ 5,292	\$ 5,086	\$ 4,987	\$ 3,866	\$ 3,823
Change in comparable restaurant sales <sup>(5)</sup>	(2.0)%	0.7%	3.1%	4.2%	2.0%
Average check <sup>(6)</sup>	\$ 12.80	\$ 12.77	\$ 12.98	\$ 13.02	\$ 13.20

<sup>(1)</sup> We utilize a 52- or 53-week accounting period which ends on the Sunday immediately preceding December 31. The fiscal years ended December 27, 2009, December 26, 2010 and December 25, 2011 had 52 weeks. The fiscal year ending December 30, 2012 will have 53 weeks.

<sup>(2)</sup> The net income available to common stockholders used in the diluted net income per share calculation was increased from the net income available to common stockholders used in the basic net income per share calculation to \$2.7 million and \$2.2 million for the fiscal years ended December 27, 2009 and December 25, 2011, and to \$2.2 million for each of the thirty-nine weeks ended September 25, 2011 and September 23, 2012. These increases were the result of adding back to net income available to common stockholders the undistributed earnings allocated to the series A preferred stock and series B preferred stock as they were assumed converted as of the beginning of each period under the "if-converted method." No adjustment was made to net income available to common stockholders for the fiscal year ended December 26, 2010 as it was anti-dilutive to assume conversion of the series A preferred stock and series B preferred stock. No adjustment was made for the conversion of the series X preferred stock in any period because it was antidilutive to assume conversion of the series X preferred stock in each period. For additional information, see Note 2 to our consolidated financial statements.

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Diluted weighted average common stock outstanding reflects the dilutive effect of our outstanding options and the conversion of our series A preferred stock, series B preferred stock and series X preferred stock using the "if-converted method" except when assumed conversion would be anti-dilutive. All per share amounts give effect to our reverse stock split.

(3) Pro forma per share data gives effect to (i) the old credit facility, (ii) the credit facility amendment, (iii) the conversion of our series A preferred stock, series B preferred stock and series X preferred stock into shares of common stock prior to the consummation of our IPO, (iv) the use of proceeds from the credit facility amendment, including the termination of the advisory agreement with our Sponsor and the completion of our stock repurchase on April 6, 2012, (v) the 6,708,332 shares of our common stock issued by us in our IPO at an initial public offering price of \$13.00 per share, which includes the 874,999 shares of our common stock issued to cover overallotments, and (vi) the use of proceeds therefrom, as if each of these events occurred on December 27, 2010. Pro forma basic net income per share consists of pro forma net income divided by the pro forma basic weighted average common stock outstanding. Pro forma diluted net income per share consists of pro forma net income divided by the pro forma diluted weighted average common stock outstanding.

Pro forma net income per share reflects: (i) the elimination of the annual management fee to, and the reimbursement of expenses for, our Sponsor and the termination fee related to the termination of our advisory agreement with our Sponsor, (ii) the net decrease in interest expense resulting from the prepayment of outstanding loans under our old credit facility with the net proceeds of our IPO, and (iii) increases in income tax expense due to higher income before income taxes resulting from the elimination of the annual management fee as a result of the termination of the advisory agreement with our Sponsor described in (i) above and a decrease in interest expense as a result of our prepayments of loans under our old credit facility as described in (ii) above.

The following is a reconciliation of historical net income to pro forma net income for year ended December 25, 2011 and the thirty-nine weeks ended September 23, 2012:

	YEAR ENDED DECEMBER 25, 2011	THIRTY-NINE WEEKS ENDED SEPTEMBER 23, 2012
Net income as reported	\$ 3,464	\$ 2,902
Management fees and expenses <sup>(a)</sup>	373	2,094
Decrease in interest expense <sup>(b)</sup>	3,934	5,130
Increase in income tax expense <sup>(c)</sup>	(1,464)	(2,456)
Pro forma net income <sup>(d)</sup>	\$ 6,307	\$ 7,670
Pro forma weighted average common stock outstanding <sup>(e)</sup>		
Basic	15,901,089	15,918,427
Diluted	16,513,002	16,600,682
Pro forma Basic net income per share	\$ 0.40	\$ 0.48
Pro forma Diluted net income per share	\$ 0.38	\$ 0.46

(a) Reflects the elimination of the management fees and expenses paid and reimbursed to our Sponsor for the periods presented and the termination fee paid to our Sponsor in connection with the termination of our advisory agreement. On November 7, 2006, in connection with our Sponsor's investment, we entered into an advisory agreement with our Sponsor, pursuant to which our Sponsor agreed to provide us with certain financial advisory services. In exchange for these services, we paid our Sponsor an aggregate annual management fee equal to \$350,000, and we reimbursed our Sponsor for out-of-pocket expenses incurred in connection with the provision of services. Upon the completion of the credit facility amendment, we and our Sponsor terminated the advisory agreement in exchange for a termination fee of \$2.0 million.

(b) Reflects the net adjustment to interest expense resulting from the old credit facility, the credit facility amendment, and our prepayment of \$79.4 million of aggregate principal amount of outstanding loans under our old credit facility with the net proceeds of the IPO and additional Company funds as if these transactions occurred on December 27, 2010 and assumes that the outstanding debt balance of \$5.0 million following these transactions was the outstanding balance during all periods presented. This interest adjustment was calculated by reversing the historical interest expense of \$4.4 million and \$5.5 million for the year ended December 25, 2011 and the thirty-nine weeks ended September 23, 2012, respectively, and recalculating interest expense based upon (i) multiplying the post-IPO debt balance of \$5.0 million by the interest rate of 7.0% under the old credit facility, as amended; (ii) multiplying the unused credit facility balance under the old credit facility of approximately \$10.5 million by the unused facility commitment fee of 0.5%; and (iii) adding the amortization expense on the remaining unamortized deferred financing costs of approximately \$25,000 annually for the periods presented. The assumed 7.0% interest rate took effect on October 22, 2012, pursuant to the terms of our old credit facility as a result of the reduction of our total leverage ratio below 2.0 to 1.0 and a LIBOR floor of 1.5% under the old credit facility. The historical amount for the thirty-nine weeks ended September 23, 2012 reflects an expense of \$1.6 million to write off the unamortized loan origination fees related to the portion of our old credit facility that was repaid with the net proceeds of the IPO.

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- (c) Reflects adjustments to historical income tax expense to reflect the income tax expense effect resulting from the elimination of management fees and expenses as a result of the termination of the advisory agreement with our Sponsor as described in (a) above and a net decrease in interest expense as a result of our prepayment of loans under our old credit facility as described in (b) above, assuming a statutory tax rate of 34.0% for each period.
- (d) Pro forma net income for the year ended December 25, 2011 is not adjusted for a special one-time cash bonus payment made to certain members of management of approximately \$1.0 million and the \$245,000 settlement payment to a former director.
- (e) Reflects (i) the repurchase of 1,655,662 shares of common and preferred stock on April 6, 2012, (ii) the conversion of all series of our outstanding preferred stock into common stock prior to the closing of our IPO and (iii) the issuance of 6,708,332 additional shares of common stock in our IPO, as if all these transactions occurred at the beginning of fiscal year 2011 and were outstanding during the entire periods presented.
- (4) Restaurant-Level EBITDA represents net income plus the sum of general and administrative expenses, the advisory agreement termination fee, the settlement with our former director, restaurant pre-opening costs, depreciation and amortization, interest and taxes. Adjusted EBITDA represents net income before interest, taxes, depreciation and amortization plus the sum of restaurant pre-opening costs, deferred compensation the advisory agreement termination fee, the settlement with our former director, and management fees and expenses.

We are presenting Restaurant-Level EBITDA and Adjusted EBITDA, which are not prepared in accordance with GAAP, because we believe that they provide an additional metric by which to evaluate our operations and, when considered together with our GAAP results and the reconciliation to our net income, we believe they provide a more complete understanding of our business than could be obtained absent this disclosure. We use Restaurant-Level EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue, income from operations, net income and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. Restaurant-Level EBITDA and Adjusted EBITDA are presented because: (i) we believe they are useful measures for investors to assess the operating performance of our business without the effect of non-cash depreciation and amortization expenses; (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness; and (iii) we use Restaurant-Level EBITDA and Adjusted EBITDA internally as benchmarks to evaluate our operating performance or compare our performance to that of our competitors. Additionally, we present Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses, which are not incurred at the restaurant level, and restaurant pre-opening costs, which are non-recurring at the restaurant level. The use of Restaurant-Level EBITDA thereby enables us and our investors to compare our operating performance between periods and to compare our operating performance to the performance of our competitors. The measure is also widely used within the restaurant industry to evaluate restaurant level productivity, efficiency and performance. The use of Restaurant-Level EBITDA and Adjusted EBITDA as performance measures permits a comparative assessment of our operating performance relative to our performance based on our GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. Companies within our industry exhibit significant variations with respect to capital structures and cost of capital (which affect interest expense and tax rates) and differences in book depreciation of facilities and equipment (which affect relative depreciation expense), including significant differences in the depreciable lives of similar assets among various companies. Our management believes that Restaurant-Level EBITDA and Adjusted EBITDA facilitate company-to-company comparisons within our industry by eliminating some of the foregoing variations.

Restaurant-Level EBITDA and Adjusted EBITDA are not determined in accordance with GAAP and should not be considered in isolation or as an alternative to net income, income from operations, net cash provided by operating, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Neither Restaurant-Level EBITDA nor Adjusted EBITDA should be considered as a measure of discretionary cash available to us to invest in the growth of our business. Restaurant-Level EBITDA and Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies and our presentation of Restaurant-Level EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual items.

Our management recognizes that Restaurant-Level EBITDA and Adjusted EBITDA have limitations as analytical financial measures, including the following:

- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect our current capital expenditures or future requirements for capital expenditures;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, associated with our indebtedness;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, nor do Restaurant-Level EBITDA and Adjusted EBITDA reflect any cash requirements for such replacements;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect restaurant pre-opening costs; and
- Restaurant-Level EBITDA does not reflect general and administrative expenses.

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A reconciliation of Restaurant-Level EBITDA, Adjusted EBITDA and EBITDA to our net income is provided below.

	YEAR ENDED <sup>(1)</sup>			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
	(Dollars in thousands)				
<b>Adjusted EBITDA:</b>					
Net income	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Income tax provision	1,077	1,428	1,634	1,248	1,243
Interest expense	3,114	3,584	4,362	3,134	5,451
Depreciation and amortization	1,549	2,732	4,448	3,141	4,672
EBITDA	\$ 8,393	\$ 11,035	\$ 13,908	\$ 10,670	\$ 14,268
Deferred compensation <sup>(a)</sup>	(100)	—	—	—	—
Management fees and expenses <sup>(b)</sup>	383	375	373	281	94
Advisory agreement termination fee <sup>(c)</sup>	—	—	—	—	2,000
Settlement with former director <sup>(d)</sup>	—	—	245	245	—
Restaurant pre-opening <sup>(e)</sup>	1,673	1,959	3,385	2,568	2,914
Special one-time bonus payment <sup>(f)</sup>	—	—	1,019	1,019	—
Adjusted EBITDA	\$ 10,349	\$ 13,369	\$ 18,930	\$ 14,783	\$ 19,276
<b>Restaurant-Level EBITDA:</b>					
Net income	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Income tax provision	1,077	1,428	1,634	1,248	1,243
Interest expense	3,114	3,584	4,362	3,134	5,451
General and administrative	4,617	5,293	7,478	5,611	6,419
Advisory agreement termination fee	—	—	—	—	2,000
Settlement with former director	—	—	245	245	—
Restaurant pre-opening	1,673	1,959	3,385	2,568	2,914
Depreciation and amortization	1,549	2,732	4,448	3,141	4,672
Restaurant-Level EBITDA	\$ 14,683	\$ 18,287	\$ 25,016	\$ 19,094	\$ 25,601

- (a) In connection with our acquisition by our Sponsor, we entered into employment agreements with certain employees pursuant to which we agreed to pay bonuses monthly over a two or three year period. The payment of the bonuses under certain of these employment agreements was subject to continued employment with us. For bonus payments subject to continued employment, we recognized the bonus payments as compensation expense on a straight-line basis over the requisite service period. With respect to certain agreements that were not subject to continued employment, we recognized the bonus payments as compensation expense at the time the expense was incurred. All required payments under these employment agreements have been made as of December 27, 2009. In accordance with these employment agreements, the entity owned by our Founders assumed the obligations to make future payments under the employment agreements. See "Certain Relationships and Related Party Transactions—Bonus Payments and Related Note Payable to Founders."
- (b) For a discussion of our management fees and expenses, see footnote (a) to the reconciliation of net income to pro forma net income as set forth in footnote 3 above.
- (c) Upon the completion of the credit facility amendment, we and our Sponsor terminated the advisory agreement in exchange for a termination fee of \$2.0 million.
- (d) In June 2011, in connection with the departure of a former director, we entered into a settlement agreement in which we paid \$175,000 and expensed an additional \$70,000 related to a one-time put option in which the former director may have required us to repurchase his shares anytime from June 15, 2012 to August 13, 2012. For additional information, see "Certain Relationships and Related Party Transactions—Settlement Agreement."
- (e) Restaurant pre-opening costs include expenses directly associated with the opening of new restaurants and are incurred prior to the opening of a new restaurant. See Note 1 to our audited consolidated financial statements for additional details.
- (f) In connection with entering into our old credit facility, we paid a special one-time cash bonus payment to certain members of management.

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Adjusted EBITDA margin is defined as the ratio of Adjusted EBITDA to revenues. We present Adjusted EBITDA margin because it is used by management as a performance measurement to judge the level of Adjusted EBITDA generated from revenues and we believe its inclusion is appropriate to provide additional information to investors.

- (5) We consider a restaurant to be comparable in the first full quarter following the eighteenth month of operations. Change in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time.
- (6) Average check is calculated by dividing revenue by customer counts for a given period of time. Customer count is measured by the number of entrees sold.



## RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the following risk factors and the other information in this prospectus, including our consolidated financial statements and related notes to those statements, before you decide to invest in our common stock. If any of the following risks actually occur, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment.

### Risks Relating to Our Business and Industry

#### ***Our financial results depend significantly upon the success of our existing and new restaurants.***

Future growth in our revenues and profits will depend on our ability to develop profitable new restaurants, maintain or grow sales and efficiently manage costs in our existing and new restaurants. As of January 18, 2013, we operated 40 restaurants, of which 13 restaurants were opened within the preceding eighteen months and are not considered comparable restaurants. The results achieved by these restaurants may not be indicative of longer-term performance or the potential market acceptance of restaurants in other locations.

The success of our restaurants revolves principally around customer traffic and average check per customer and customer experience. Significant factors that might adversely affect the average customer traffic and average check include, without limitation:

- declining economic conditions, including housing market downturns, rising unemployment rates, lower disposable income, credit conditions, fuel prices and consumer confidence and other events or factors that adversely affect consumer spending in the markets we serve;
- increased competition in the restaurant industry, particularly in the Mexican cuisine and casual and fast-casual dining segments;
- changes in consumer preferences;
- customers' budgeting constraints;
- customers' failure to accept menu price increases that we may make to offset increases in key operating costs;
- our reputation and consumer perception of our concepts' offerings in terms of quality, price, value, ambience and service; and
- customer experiences from dining in our restaurants.

Our restaurants are also susceptible to increases in certain key operating expenses that are either wholly or partially beyond our control, including, without limitation:

- food and other raw materials costs, many of which we do not or cannot effectively hedge;
- labor costs, including wage, workers' compensation, health care and other benefits expenses;
- rent expenses and construction, remodeling, maintenance and other costs under leases for our new and existing restaurants;
- compliance costs as a result of changes in regulatory or industry standards;
- energy, water and other utility costs;
- costs for insurance (including health, liability and workers' compensation);
- information technology and other logistical costs; and
- expenses due to litigation against us.

Certain of our restaurants operate at or near capacity. As a result, we may be unable to grow or maintain same store sales at those restaurants, particularly if additional restaurants are opened near the existing location. The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

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### ***Our long-term success is highly dependent on our ability to successfully identify appropriate sites and develop and expand our operations in existing and new markets.***

We intend to develop new restaurants in our existing markets, and selectively enter into new markets. Since the start of 2008, we have expanded from 8 restaurants to 40 restaurants as of January 18, 2013. We opened eight restaurants in 2012 and plan to open eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. There can be no assurance that any new restaurant that we open will have similar operating results to those of existing restaurants. We may not be able to open our planned new restaurants on a timely basis, if at all, and, if opened, these restaurants may not be operated profitably. The number and timing of new restaurants opened during any given period, and their associated contribution to operating growth, may be negatively impacted by a number of factors including, without limitation:

- identification and availability of appropriate locations that will drive high levels of customer traffic and sales per unit;
- inability to generate sufficient funds from operations or to obtain acceptable financing to support our development;
- recruitment and training of qualified operating personnel in the local market;
- availability of acceptable lease arrangements, including sufficient levels of tenant allowances;
- the financial viability of our landlords, including the availability of financing for our landlords and our landlords ability to pay tenant incentives on a timely basis;
- construction and development cost management;
- timely delivery of the leased premises to us from our landlords and punctual commencement of our buildout construction activities;
- delays due to the customized nature of our restaurant concepts and decor, construction and pre-opening processes for each new location;
- obtaining all necessary governmental licenses and permits, including our liquor licenses, on a timely basis to construct or remodel and operate our restaurants;
- inability to comply with certain covenants under our new revolving credit facility that could limit our ability to open new restaurants;
- consumer tastes in new geographic regions and acceptance of our restaurant concept;
- competition in new markets, including competition for restaurant sites;
- unforeseen engineering or environmental problems with the leased premises;
- adverse weather during the construction period;
- anticipated commercial, residential and infrastructure development near our new restaurants; and
- other unanticipated increases in costs, any of which could give rise to delays or cost overruns.

We have experienced, and expect to continue to experience, delays in restaurant openings from time to time. Such actions may limit our growth opportunities. We cannot assure you that we will be able to successfully expand or acquire critical market presence for our brand in new geographical markets, as we may encounter well-established competitors with substantially greater financial resources. We may be unable to find attractive locations, build name recognition, successfully market our brand or attract new customers. We may incur additional costs in new markets, particularly for transportation and distribution, which may impact the profitability of those restaurants. Competitive circumstances and consumer characteristics and preferences in new market segments and new geographical markets may differ substantially from those in the market segments and geographical markets in which we have substantial experience. If we are unable to expand in existing markets or penetrate new markets, our ability to increase our revenues and profitability may be harmed.

### ***Changes in economic conditions, including continuing effects from the recent recession, could materially affect our business, financial condition and results of operations.***

The restaurant industry depends on consumer discretionary spending. The recent recession, coupled with high unemployment rates, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies, rising fuel prices and reduced access to credit and reduced consumer confidence, has impacted consumers' ability and willingness to spend discretionary dollars. Economic conditions may remain volatile and may continue to repress consumer confidence and discretionary spending for the near term. If the weak economy

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continues for a prolonged period of time or worsens, customer traffic could be adversely impacted if our customers choose to dine out less frequently or reduce the amount they spend on meals while dining out. We believe that if the current negative economic conditions persist for a long period of time or become more pervasive, consumers might make long-lasting changes to their discretionary spending behavior, including dining out less frequently on a permanent basis. If restaurant sales decrease, our profitability could decline as we spread fixed costs across a lower level of sales. Reductions in staff levels, asset impairment charges and potential restaurant closures could result from prolonged negative restaurant sales. There can be no assurance that the macroeconomic environment or the regional economics in which we operate will improve significantly or that government stimulus efforts will improve consumer confidence, liquidity, credit markets, home values or unemployment, among other things.

***Damage to our reputation or lack of acceptance of our brand in existing or new markets could negatively impact our business, financial condition and results of operations.***

We believe we have built our reputation on the high-quality of our food, service and staff, as well as on our unique culture and the ambience in our restaurants, and we must protect and grow the value of our brand to continue to be successful in the future. Any incident that erodes consumer affinity for our brand could significantly reduce its value and damage our business. For example, our brand value could suffer and our business could be adversely affected if customers perceive a reduction in the quality of our food, service or staff, or an adverse change in our culture or ambience, or otherwise believe we have failed to deliver a consistently positive experience.

In addition, our ability to successfully develop new restaurants in new markets may be adversely affected by a lack of awareness or acceptance of our brand in these new markets. To the extent that we are unable to foster name recognition and affinity for our brand in new markets, our new restaurants may not perform as expected and our growth may be significantly delayed or impaired.

We may be adversely affected by news reports or other negative publicity regardless of their accuracy, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other foodservice providers, or others across the food industry supply chain. The risks associated with such negative publicity cannot be completely eliminated or mitigated and may materially harm our results of operations and result in damage to our brand.

Also, there has been a marked increase in the use of social media platforms and similar devices, including weblogs (blogs), social media websites and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Consumers value readily available information concerning goods and services that they have or plan to purchase, and may act on such information without further investigation or authentication. 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 accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. 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 performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Such platforms also could be used for dissemination of trade secret information, compromising valuable company assets. In sum, the dissemination of information online could harm our business, prospects, financial condition and results of operations, regardless of the information's accuracy.

Our brand could also be confused with brands that have similar names, including Baja Chuy's Mesquite Broiler, Inc. ("Baja Chuy's"), an unaffiliated restaurant chain with whom we have entered into a settlement agreement regarding use of the Chuy's name. As a result, our brand value may be adversely affected by any negative publicity related to Baja Chuy's or any other restaurant that may use brand names, trademarks or trade dress that are similar to ours.

***We are susceptible to economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located.***

Our financial performance is highly dependent on restaurants located in Texas and the Southeastern and Midwestern United States. As a result, adverse economic conditions in any of these areas could have a material adverse effect on our overall results of operations. In recent years, certain of these states have been more negatively impacted by the housing decline, high unemployment rates and the overall economic crisis than other geographic areas. In addition,

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given our geographic concentrations, particularly in Texas, negative publicity regarding any of our restaurants in these areas could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, hurricanes, droughts or other natural or man-made disasters. Adverse weather conditions may also impact customer traffic at our restaurants, cause the temporary underutilization of outdoor patio seating, and, in more severe cases, cause temporary restaurant closures, sometimes for prolonged periods.

Our business is subject to seasonal fluctuations, with restaurant sales typically higher during the spring and summer months as well as in December. Adverse weather conditions during our most favorable months or periods may exacerbate the effect of adverse weather on customer traffic and may cause fluctuations in our operating results from quarter-to-quarter within a fiscal year. In addition, outdoor patio seating is available at all but one of our restaurants and may be impacted by a number of weather-related factors. Our inability to fully utilize our restaurants' seating capacity as planned may negatively impact our revenues and results of operations.

***The impact of negative economic factors, including the availability of credit, on our landlords and surrounding tenants could negatively affect our financial results.***

Negative effects on our existing and potential landlords due to the inaccessibility of credit and other unfavorable economic factors may, in turn, adversely affect our business and results of operations. If our landlords are unable to obtain financing or remain in good standing under their existing financing arrangements, they may be unable to provide construction contributions or satisfy other lease covenants to us. In addition, if our landlords are unable to obtain sufficient credit to continue to properly manage their retail sites, we may experience a drop in the level of quality of such retail centers. Our development of new restaurants may also be adversely affected by the negative financial situations of developers and potential landlords. Landlords may try to delay or cancel recent development projects (as well as renovations of existing projects) due to the instability in the credit markets and recent declines in consumer spending, which could reduce the number of appropriate locations available that we would consider for our new restaurants. Furthermore, the failure of landlords to obtain licenses or permits for development projects on a timely basis, which is beyond our control, may negatively impact our ability to implement our development plan.

***Changes in food availability and costs could adversely affect our operating results.***

Our profitability and operating margins are dependent in part on our ability to anticipate and react to changes in food costs. We rely on two regional distributors, Labatt Foodservice in Texas and Oklahoma and Merchants Distributors in the Southeastern United States, and various suppliers to provide our beef, cheese, beans, soybean oil, beverages and our groceries. For our chicken products, we rely on two suppliers for our Southeast locations and a sole supplier in Texas. For our green chiles, we contract to buy, through our supplier, Bueno Foods of Albuquerque, New Mexico, chiles from a group of farmers in New Mexico each year, which we have the right to select under our agreement. If and to the extent the farmers are unable or do not supply a sufficient amount of green chiles or if we need chiles out of season, we purchase the excess amount from the general supply of Bueno Foods. Each restaurant, through its general manager and kitchen manager, purchases its produce locally. We continue to evaluate whether to enter into an agreement to purchase our produce through a produce buying group. Any increase in distribution prices, increase in the prices charged by suppliers or failure to perform by these third-parties could cause our food costs to increase or us to experience short-term unavailability of certain products. Failure to identify an alternate source of supply for these items may result in significant cost increases and an inability to provide certain of the items on our menu. If these events occur, it may reduce the profitability of certain of our offerings and may cause us to increase our prices. In addition, any material interruptions in our supply chain, such as a material interruption of ingredient supply due to the failures of third-party distributors or suppliers, or interruptions in service by common carriers that ship goods within our distribution channels, may result in significant cost increases and reduce sales. For example, during fiscal 2010, we experienced an increase in our cost of sales due to an increase in the cost of avocados, tomatoes and limes as a result of insufficient supply in the marketplace caused by adverse weather during the year. This increase in our cost of sales was not offset by equivalent price increases and as a result reduced our profitability. Changes in the price, as a result of inflation or otherwise, or availability of certain food products could affect the profitability of certain food items, our ability to maintain existing prices and our ability to purchase sufficient amounts of items to satisfy our customer's demands, which could materially adversely affect our profitability and reputation. As a result of inflationary pressures during 2010, we also experienced an increase in the cost of dairy, cheese and produce. We did not offset our increase in cost with a price increase and as a result the cost increase reduced our profitability.

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The type, variety, quality, availability and price of produce, beef, chicken and cheese are more volatile than other types of food and are subject to factors beyond our control, including weather, governmental regulation, availability and seasonality, each of which may affect our food costs or cause a disruption in our supply. Our food distributors and suppliers also may be affected by higher costs to produce and transport commodities used in our restaurants, higher minimum wage and benefit costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. Although we are able to contract for the majority of the food commodities used in our restaurants for periods of up to one year, the pricing and availability of some of the commodities used in our operations, such as our produce, cannot be locked in for periods of longer than one week or at all. We do not use financial instruments to hedge our risk to market fluctuations in the price of our ingredients and other commodities at this time. We may not be able to anticipate and react to changing food costs through our purchasing practices and menu price adjustments in the future, and failure to do so could negatively impact our revenues and results of operations.

***Increases in our labor costs, including as a result of changes in government regulation, could slow our growth or harm our business.***

We are subject to a wide range of labor costs. Because our labor costs are, as a percentage of revenues, higher than other industries, we may be significantly harmed by labor cost increases. Unfavorable fluctuations in market conditions, availability of such insurance or changes in state and/or federal regulations could significantly increase our insurance premiums. In addition, we are subject to the risk of employment-related litigation at both the state and federal levels, including claims styled as class action lawsuits which are more costly to defend. Also, some employment related claims in the area of wage and hour disputes are not insurable risks.

Significant increases in health care costs may continue to occur, and we can provide no assurance that we will be able to contain those costs. Further, we are continuing to assess the impact of recently-adopted federal health care legislation on our health care benefit costs, and significant increases in such costs could adversely impact our operating results. There is no assurance that we will be able to contain our costs related to such legislation in a manner that will not adversely impact our operating results.

In addition, many of our restaurant personnel are hourly workers subject to various minimum wage requirements or changes to tip credits. Mandated increases in minimum wage levels and changes to the tip credit, which are the amounts an employer is permitted to assume an employee receives in tips when calculating the employee's hourly wage for minimum wage compliance purposes, have recently been and continue to be proposed and implemented at both federal and state government levels. For example, in Kentucky our wait staff is not permitted to pool tips in order to share those tips with bartenders and bussing staff. As a result, we must pay our bartenders and bussing staff in our Kentucky locations additional amounts to ensure they receive minimum wage. Continued minimum wage increases or changes to allowable tip credits may further increase our labor costs or effective tax rate.

Various states in which we operate are considering or have already adopted new immigration laws, and the U.S. Congress and Department of Homeland Security from time to time consider or implement changes to Federal immigration laws, regulations or enforcement programs as well. Some of these changes may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome, or reduce the availability of potential employees. Although we require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. Unauthorized workers are subject to deportation and may subject us to fines or penalties, and if any of our workers are found to be unauthorized we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. Termination of a significant number of employees that unbeknownst to us were unauthorized employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in additional adverse publicity. Our financial performance could be materially harmed as a result of any of these factors.

***Labor shortages could increase our labor costs significantly or restrict our growth plans.***

Our restaurants are highly dependent on qualified management and operating personnel. Qualified individuals have historically been in short supply and an inability to attract and retain them would limit the success of our existing restaurants as well as our development of new restaurants. We place a heavy emphasis on the qualification and training of our personnel and spend significantly more on training our employees than our competitors. We can make

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no assurances that we will be able to attract and retain qualified individuals in the future which may have a more significant effect on our operation than those of our competitors. Additionally, the cost of attracting and retaining qualified individuals may be higher than we anticipate, and as a result, our profitability could decline.

***Customer traffic at our restaurants could be significantly affected by competition in the restaurant industry in general and, in particular, within the dining segments of the restaurant industry in which we compete.***

The restaurant industry is highly competitive with respect to food quality, ambience, service, price and value and location, and a substantial number of restaurant operations compete with us for customer traffic. The main competitors for our brand are other operators of mid-priced, full service concepts in the multi-location casual dining and Tex Mex/Mexican food segments in which we compete most directly for real estate locations and customers. Some of our competitors have significantly greater financial, marketing, personnel and other resources than we do, and many of our competitors are well established in markets in which we have existing restaurants or intend to locate new restaurants. Any inability to successfully compete with the other restaurants in our markets will place downward pressure on our customer traffic and may prevent us from increasing or sustaining our revenues and profitability. We may also need to evolve our concept in order to compete with popular new restaurant formats or concepts that develop from time to time, and we cannot offer any assurance that we will be successful in doing so or that modifications to our concept will not reduce our profitability. In addition, with improving product offerings at fast casual restaurants, quick-service restaurants and grocery stores and the influence of negative economic conditions and other factors, consumers may choose less expensive alternatives, which could also negatively affect customer traffic at our restaurants.

***Legislation and regulations requiring the display and provision of nutritional information for our menu offerings, and new information or attitudes regarding diet and health or adverse opinions about the health effects of consuming our menu offerings, could affect consumer preferences and negatively impact our results of operations.***

Government regulation and consumer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the health effects of consuming our menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings, or laws and regulations requiring us to disclose the nutritional content of our food offerings. For example, a number of states, counties and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information available to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Furthermore, the Patient Protection and Affordable Care Act of 2010 (the "PPACA") establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus. Specifically, the PPACA amended the Federal Food, Drug and Cosmetic Act to require 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 United States Food and Drug Administration (the "FDA") to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans fat content. An unfavorable report on, or reaction to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings.

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. Although the FDA published proposed regulations to implement the menu labeling provisions of the PPACA in April 2011, the agency has delayed the release of final regulations implementing these requirements. Additionally, some government authorities are increasing regulations regarding trans-fats and sodium, which may require us to limit or eliminate trans-fats and sodium from our menu offerings, switch to higher cost ingredients or may hinder our ability to operate in certain markets. If we fail to comply with these laws or regulations, our business could experience a material adverse effect.

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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.

Multiple jurisdictions in which we operate have recently enacted new requirements that require us to adopt and implement a Hazard Analysis and Critical Control Points ("HACCP") System for managing food safety and quality. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. We expect to incur certain costs to comply with these regulations and these costs may be more than we anticipate. If we fail to comply with these laws or regulations, our business could experience a material adverse effect.

***Federal, state and local beer, liquor and food service regulations may have a significant adverse impact on our operations.***

We are required to operate in compliance with federal laws and regulations relating to alcoholic beverages administered by the Bureau of Alcohol, Tobacco, Firearms and Explosives of the U.S. Department of Justice, as well as the laws and licensing requirements for alcoholic beverages of states and municipalities where our restaurants are or will be located. In addition, each restaurant must obtain a food service license from local authorities. Failure to comply with federal, state or local regulations could cause our licenses to be revoked and force us to cease the sale of alcoholic beverages at our certain locations. Any difficulties, delays or failures in obtaining such licenses, permits or approvals could delay or prevent the opening of a restaurant in a particular area or increase the costs associated therewith. In addition, in certain states, including states where we have existing restaurants or where we plan to open a restaurant, the number of liquor licenses available is limited, and licenses are traded on the open market. Liquor, beer and wine sales comprise a significant portion of our revenues. If we are unable to maintain our existing licenses, our customer patronage, revenues and results of operations could be adversely affected. Or, if we choose to open a restaurant in those states where the number of licenses available is limited, the cost of a new license could be significant.

We apply for our liquor licenses with the advice of outside legal and licensing consultants. Because of the many and various state and federal licensing and permitting requirements, there is a significant risk that one or more regulatory agencies could determine that we have not complied with applicable licensing or permitting regulations or have not maintained the approvals necessary for us to conduct business within its jurisdiction. Any changes in the application or interpretation of existing laws may adversely impact our restaurants in that state, and could also cause us to lose, either temporarily or permanently, the licenses, permits and regulations necessary to conduct our restaurant operations, and subject us to fines and penalties.

***Restaurant companies have been the target of class-actions and other litigation alleging, among other things, violations of federal and state law.***

We are subject to a variety of lawsuits, administrative proceedings and claims that arise in the ordinary course of our business. In recent years, a number of restaurant companies have been subject to claims by customers, employees and others regarding issues such as food safety, personal injury and premises liability, employment-related claims, harassment, discrimination, disability and other operational issues common to the foodservice industry. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. An adverse judgment or settlement that is not insured or is in excess of insurance coverage could have an adverse impact on our profitability and could cause variability in our results compared to expectations. We carry insurance policies for a significant portion of our risks and associated liabilities with respect to workers' compensation, general liability, employer's liability, health benefits and other insurable risks. Regardless of whether any claims that may be brought against us are valid or whether we are ultimately determined to be liable, we could also be adversely affected by negative publicity, litigation costs resulting from the defense of these claims and the diversion of time and resources from our operations.

We are subject to state "dram shop" laws and regulations, which generally provide that a person injured by an intoxicated person may seek to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Recent litigation against restaurant chains has resulted in significant judgments, including

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punitive damages, under such “dram shop” statutes. While we carry liquor liability coverage as part of our existing comprehensive general liability insurance, we may still be subject to a judgment in excess of our insurance coverage, and we may not be able to obtain or continue to maintain such insurance coverage at reasonable costs, if at all. Regardless of whether any claims against us are valid or whether we are liable, we may be adversely affected by publicity resulting from such laws.

### ***Our marketing programs may not be successful.***

We expend resources in our marketing efforts using a variety of media, including social media. We expect to continue to conduct brand awareness programs and customer initiatives to attract and retain customers. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors have greater financial resources, which enable them to spend significantly more on marketing and advertising than we are able to. Should our competitors increase spending on marketing and advertising or our marketing funds decrease for any reason, or should our advertising and promotions be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.

### ***The impact of new restaurant openings could result in fluctuations in our financial performance.***

Quarterly results have been, and in the future may continue to be, significantly impacted by the timing of new restaurant openings (often dictated by factors outside of our control), including associated restaurant pre-opening costs and operating inefficiencies, as well as changes in our geographic concentration due to the opening of new restaurants. We typically incur the most significant portion of restaurant pre-opening expenses associated with a given restaurant within the five months immediately preceding and the month of the opening of the restaurant. As the regional and national economies in which we operate improve, we may encounter more competition in obtaining lease sites and, as a result, may be unable to negotiate similar levels of tenant incentives under our new leases. If we are unable to obtain similar levels of tenant incentives for a particular unit, we would expect to incur increased capital expenditures in advance of opening and pay lower rent with respect to the restaurant. Our experience has been that labor and operating costs associated with a newly opened restaurant for the first several months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Our new restaurants commonly take nine months to one year to reach planned operating levels due to inefficiencies typically associated with new restaurants, including the training of new personnel, lack of market awareness, inability to hire sufficient qualified staff and other factors. Accordingly, the volume and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability. Due to the foregoing factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for a full fiscal year, and these fluctuations may cause our operating results to be below expectations of public market analysts and investors.

### ***Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.***

The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of a new restaurant in or near markets in which we already have existing restaurants could adversely impact the sales of new or existing restaurants. Our core business strategy does not entail opening new restaurants that materially impact sales at our existing restaurants but we may selectively open new restaurants in and around areas of existing restaurants that are operating at or near capacity. There can be no assurance that sales cannibalization between our restaurants will not occur or become more significant in the future as we continue to expand our operations.

### ***Our business operations and future development could be significantly disrupted if we lose key members of our management team.***

The success of our business continues to depend to a significant degree upon the continued contributions of our senior officers and key employees, both individually and as a group. Our future performance will be substantially dependent in particular on our ability to retain and motivate Steve Hislop, our Chief Executive Officer, and our other senior officers. We currently have employment agreements in place with Messrs. Hislop, Howie, Biller, Hatcher and Zapp and Mrs. Russell. The loss of the services of our CEO, other senior officers or other key employees could have a material adverse effect on our business and plans for future development. We have no reason to believe that we will lose the services of any of these individuals in the foreseeable future; however, we currently have no effective replacement for any of these individuals due to their experience, reputation in the industry and special role in our operations. We also do not maintain any key man life insurance policies for any of our employees.



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### ***Our growth may strain our infrastructure and resources, which could slow our development of new restaurants and adversely affect our ability to manage our existing restaurants.***

We opened five, six and eight restaurants in 2009, 2010 and 2011, respectively. We opened eight restaurants in 2012 and plan to open eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. Our future growth may strain our administrative staff, management systems and resources, financial controls and information systems. Those demands on our infrastructure and resources may also adversely affect our ability to manage our existing restaurants. If we fail to continue to improve our infrastructure or to manage other factors necessary for us to meet our expansion objectives, our operating results could be materially and adversely affected. Likewise, if sales decline, we may be unable to reduce our infrastructure quickly enough to prevent sales deleveraging, which would adversely affect our profitability.

### ***Our insurance policies may not provide adequate levels of coverage against all claims, and fluctuating insurance requirements and costs could negatively impact our profitability.***

We believe our insurance coverage is 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 commercially reasonable to insure. These losses, if they occur, could have a material and adverse effect on our business and results of operations. In addition, the cost of workers' compensation insurance, general liability insurance and directors' and officers' liability insurance fluctuates based on our historical trends, market conditions and availability. Additionally, health insurance costs in general have risen significantly over the past few years and are expected to continue to increase. These increases, as well as recently-enacted federal legislation requiring employers to provide specified levels of health insurance to all employees, could have a negative impact on our profitability, and there can be no assurance that we will be able to successfully offset the effect of such increases with plan modifications and cost control measures, additional operating efficiencies or the pass-through of such increased costs to our customers.

### ***Our indebtedness may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with our financial covenants, our liquidity and results of operations could be adversely affected.***

At January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility. See "Description of Indebtedness."

Our new revolving credit facility places certain conditions on us, including that it:

- increases our vulnerability to adverse general economic or industry conditions;
- limits our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate;
- makes us more vulnerable to increases in interest rates, as borrowings under our new revolving credit facility are at variable rates;
- limits our ability to obtain additional financing in the future for working capital or other purposes; and
- places us at a competitive disadvantage compared to our competitors that have less indebtedness.

Our new revolving credit facility places certain limitations on our ability to incur additional indebtedness. However, subject to the qualifications and exceptions in our new revolving credit facility, we may incur substantial additional indebtedness under that facility and may incur obligations that do not constitute indebtedness under that facility. The new revolving credit facility also places certain limitations on, among other things, our ability to enter into certain types of transactions, financing arrangements and investments, to make certain changes to our capital structure and to guarantee certain indebtedness. The new revolving credit facility also places certain restrictions on the payment of dividends and distributions. These restrictions limit or prohibit, among other things, our ability to:

- pay dividends on, redeem or repurchase our stock or make other distributions;
- incur or guarantee additional indebtedness;
- sell stock in our subsidiaries;
- create or incur liens;
- make acquisitions or investments;
- transfer or sell certain assets or merge or consolidate with or into other companies; and
- enter into certain transactions with our affiliates.

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Failure to comply with certain covenants or the occurrence of a change of control under our new revolving credit facility could result in the acceleration of our obligations under the new revolving credit facility, which would have an adverse affect on our liquidity, capital resources and results of operations.

Our new revolving credit facility also requires us to comply with certain financial covenants including a minimum fixed charge coverage ratio and a maximum total lease adjusted leverage ratio. Changes with respect to these financial covenants may increase our interest rate and failure to comply with these covenants could result in a default and an acceleration of our obligations under the new revolving credit facility, which would have an adverse affect on our liquidity, capital resources and results of operations. See "Description of Indebtedness."

***We may be unable to obtain debt or other financing on favorable terms or at all.***

There are inherent risks in our ability to borrow. Our lenders may have suffered losses related to their lending and other financial relationships, especially because of the general weakening of the national economy, increased financial instability of many borrowers and the declining value of their assets. As a result, lenders may become insolvent or tighten their lending standards, which could make it more difficult for us to increase the available commitment under our new revolving credit facility, refinance our existing indebtedness or to obtain other financing on favorable terms or at all. Our financial condition and results of operations would be adversely affected if we were unable to draw funds under our new revolving credit facility because of a lender default or to obtain other cost-effective financing.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business can be arranged. Such measures could include deferring capital expenditures (including the opening of new restaurants) and reducing or eliminating other discretionary uses of cash.

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

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we review long-lived assets, such as property and equipment and intangibles subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. Negative restaurant-level cash flow (defined as restaurant net income plus depreciation, gain and/or loss on assets and pre-opening expense) over the previous 12-month period in a stabilized location is considered a potential impairment indicator. In such situations, the Company evaluates future cash flow projections in conjunction with qualitative factors and future operating plans. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to the estimated undiscounted future cash flow expected to be generated by the restaurant. If the carrying amount of the restaurant exceeds estimated future cash flow, an impairment charge is recognized for the amount by which the asset's carrying amount exceeds its fair value.

Continued economic weakness within our respective markets may adversely impact consumer discretionary spending and may result in lower restaurant sales. Unfavorable fluctuations in our commodity costs, supply costs and labor rates, which may or may not be within our control, may also impact our operating margins. Any of these factors could as a result affect the estimates used in our impairment analysis and require additional impairment tests and charges to earnings. We continue to assess the performance of our restaurants and monitor the need for future impairment. There can be no assurance that future impairment tests will not result in additional charges to earnings.

***Security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions may adversely affect our business.***

The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information of their customers has been stolen. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our customers' credit or debit card information. In addition, most states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim, proceeding, or mandatory notification could cause us to incur significant unplanned

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expenses, which could have an 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.

***We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brand and adversely affect our business.***

Our ability to implement our business plan successfully depends in part on our ability to build brand recognition in the areas surrounding our locations using our trademarks and other proprietary intellectual property, including our brand names, logos and the unique ambience of our restaurants. We have registered or applied to register a number of our trademarks. We cannot assure you that our trademark applications will be approved. Also, as a result of the settlement agreement with an unaffiliated entity, Baja Chuy's, we may not use "Chuy's" in Nevada, California or Arizona, which may have an adverse effect on our growth plans in these states. Additionally, our brand value may be diluted as a result of their use of "Chuy's" in these states. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our goods and services, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands.

We enforce our rights through a number of methods, including the issuance of cease-and-desist letters or making infringement claims in federal court. If our efforts to register, maintain and protect our trademarks or other intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brand may be harmed, which could have a material adverse effect on our business and might prevent our brand from achieving or maintaining market acceptance. We may also face the risk of claims that we have infringed third parties' intellectual property rights. A successful claim of infringement against us could result in our being required to pay significant damages or enter into costly licensing or royalty agreements in order to obtain the right to use a third party's intellectual property, any of which could have a negative impact on our results of operations and harm our future prospects. If such royalty or licensing agreements are not available to us on acceptable terms or at all, we may be forced to stop the sale of certain products or services. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, require us to rebrand our services, if feasible, and divert management's attention.

We also rely on trade secrets and proprietary know-how to protect our brand. Our methods of safeguarding this information may not be adequate. Moreover, we may face claims of misappropriation or infringement of third parties' rights that could interfere with our use of this information. Defending these claims may be costly and, if unsuccessful, may prevent us from continuing to use this proprietary information in the future and may result in a judgment or monetary damages. We do not maintain confidentiality agreements with all of our team members or suppliers. Even with respect to the confidentiality agreements we have, we cannot assure you that those agreements will not be breached, that they will provide meaningful protection, or that adequate remedies will be available in the event of an unauthorized use or disclosure of our proprietary information. If competitors independently develop or otherwise obtain access to our trade secrets or proprietary know-how, the appeal of our restaurants could be reduced and our business could be harmed. In addition, if we default under our lease agreements with our landlord, Young/Zapp GP, LLC ("Young/Zapp") and its subsidiaries, at certain of our locations, our landlord may have the right to operate a Tex Mex or Mexican food restaurant at that location using our recipes and our trade dress. If such default were to occur, the brand value of our recipes and our trade dress might suffer.

***Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.***

We rely on our computer systems and network infrastructure across our operations, including point-of-sale processing at our restaurants. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, worms and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us to litigation or actions by regulatory authorities. Although we employ both internal resources and external consultants to audit our systems, and test them for vulnerability, have implemented firewalls, data encryption and other security controls and intend to maintain and upgrade our security technology and operational procedures to prevent such damage, breaches or other disruptive problems, these security measures may not eliminate all risks.

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### ***A major natural or man-made disaster could have a material adverse effect on our business.***

Most of our corporate systems, processes and corporate support for our restaurant operations are centralized at our headquarters in Austin, Texas, with certain systems and processes being concurrently stored at an offsite storage facility in accordance with our disaster recovery plan. As part of our new disaster recovery plan, we are currently finalizing the backup processes for our core systems at our co-location facility. If we are unable to fully implement this new disaster recovery plan, we may experience failures or delays in recovery of data, delayed reporting and compliance, inability to perform necessary corporate functions and other breakdowns in normal operating procedures that could have a material adverse effect on our business and create exposure to administrative and other legal claims against us.

### ***We incur increased costs and obligations as a result of being a public company.***

Prior to our IPO in July 2012, we were a privately held company and were not required to comply with certain corporate governance and financial reporting practices and policies required of a publicly traded company. As a publicly traded company, we incur and expect to continue to incur significant legal, accounting and other expenses that we were not required to incur in the recent past, particularly after we are no longer an “emerging growth company” as defined under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), the JOBS Act, and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) and the Nasdaq Global Select Market, have created uncertainty for public companies and increased our costs and time that our board of directors and management must devote to complying with these rules and regulations. We expect these rules and regulations to increase our legal and financial compliance costs and lead to a diversion of management time and attention from revenue generating activities. We estimate that we will incur approximately \$1.3 to \$1.6 million of incremental costs per year associated with being a publicly traded company; however, it is possible that our actual incremental costs of being a publicly-traded company will be higher than we currently estimate. In estimating these costs, we took into account expenses related to insurance, legal, accounting and compliance activities.

Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management’s attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a publicly traded company. However, the measures we take may not be sufficient to satisfy our obligations as a publicly traded company.

For as long as we remain an “emerging growth company” as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” These exceptions provide for, but are not limited to, relief from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved and an extended transition period for complying with new or revised accounting standards. We may take advantage of these reporting exemptions until we are no longer an “emerging growth company.” We may remain an “emerging growth company” for up to five years. See “Prospectus Summary—Implications of Being an Emerging Growth Company.” To the extent we use exemptions from various reporting requirements under the JOBS Act, we may be unable to realize our anticipated cost savings from those exemptions.

### ***Pursuant to the recently enacted JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an “emerging growth company.”***

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we file with the SEC as a public company, and generally requires in the same report a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, under the recently enacted JOBS Act, our

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independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an “emerging growth company.” We could be an “emerging growth company” for up to five years. See “Prospectus Summary—Implications of Being an Emerging Growth Company.”

***Our internal control over financial reporting does not currently meet the standards required by Section 404 of the Sarbanes-Oxley Act of 2002, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and share price.***

As a privately held company, we were not required to evaluate our internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404(a) of the Sarbanes-Oxley Act, or Section 404(a). We anticipate being required to meet these standards in the course of preparing our consolidated financial statements as of and for the year ended December 29, 2013, and our management will be required to report on the effectiveness of our internal control over financial reporting for such year. Additionally, once we are no longer an “emerging growth company,” our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting on an annual basis. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation.

In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, we may encounter problems or delays in completing the implementation of any requested improvements and receiving a favorable attestation in connection with the attestation provided by our independent registered public accounting firm. We will be unable to issue securities in the public markets through the use of a shelf registration statement if we are not in compliance with Section 404. Furthermore, failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and share price and could limit our ability to report our financial results accurately and timely.

***Federal, state and local tax rules may adversely impact our results of operations and financial position.***

We are subject to federal, state and local taxes in the U.S. If the Internal Revenue Service (“IRS”) or other taxing authority disagrees with the positions we have taken on our tax returns, we could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position. In addition, complying with new tax rules, laws or regulations could impact our financial condition, and increases to federal or state statutory tax rates and other changes in tax laws, rules or regulations may increase our effective tax rate. Any increase in our effective tax rate could have a material impact on our financial results.

### **Risks Relating to this Offering and Ownership of Common Stock**

***Although we will not be a controlled company within the meaning of the Nasdaq Marketplace rules upon the completion of this offering, during the phase-in period we may continue to rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.***

After completion of our IPO, Goode Partners LLC (our “Sponsor”), which is the managing member of Goode Chuy’s Holdings, LLC (our “Controlling Stockholder”), continued to control a majority of the voting power of our outstanding common stock through its ownership of our common stock and its voting power under a voting agreement. Pursuant to the voting agreement (the “Voting Agreement”) entered into among us, our Controlling Stockholder, MY/ZP Equity, LP, Goode Chuy’s Direct Investors LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P., the parties have agreed to vote or grant us or our Controlling Stockholder a proxy to vote, their shares of our common stock for the election of the directors nominated for election by our nominating and corporate governance committee. The Voting Agreement will terminate upon the first to occur of (a) the failure of the parties to hold shares of our common stock representing an aggregate of at least 50.1% of the voting power of the company, (b) the date upon which we are in compliance with the corporate governance standards of the Nasdaq Global Select Market without utilizing exemptions available to a controlled company, (c) January 23, 2014 and (d) termination by the mutual agreement of our Controlling Stockholder and the other parties. As a result, we have

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been a controlled company within the meaning of the corporate governance standards of the Nasdaq Global Select Market. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, or otherwise have director nominees selected by vote of a majority of the independent directors; and
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We currently utilize these exemptions. As a result, we do not have a majority of independent directors and our nominating and corporate governance committee and compensation committee do not consist entirely of independent directors. As of January 18, 2013, our audit committee consists of a majority of independent directors, and we are not currently required to have a fully independent audit committee until July 23, 2013. Accordingly, our stockholders do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the Nasdaq Global Select Market.

Following this offering, we will no longer be a controlled company under the Nasdaq listing requirements. Under the Nasdaq listing requirements, a company that ceases to be a controlled company must comply with the independent board committee requirements as they relate to the nominating and corporate governance and compensation committees on the following phase-in schedule: (1) one independent committee member at the time it ceases to be a controlled company, (2) a majority of independent committee members within 90 days of the date it ceases to be a controlled company and (3) all independent committee members within one year of the date it ceases to be a controlled company. Additionally, the Nasdaq listing requirements provide a 12-month phase-in period from the date a company ceases to be a controlled company to comply with the majority independent board requirement. During these phase-in periods, our stockholders will not have the same protections afforded to stockholders of companies of which the majority of directors are independent and, if, within the phase-in periods, we are not able to recruit additional directors that would qualify as independent, or otherwise comply with the Nasdaq listing requirements, we may be subject to enforcement actions by Nasdaq. In addition, a change in our board of directors and committee membership may result in a change in corporate strategy and operating philosophies, and may result in deviations from our current growth strategy.

***Our Sponsor will continue to have significant influence over us after this offering, including over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions. Our Founders may also continue to exert significant influence over us.***

We are currently controlled by our Sponsor. Upon completion of this offering, investment funds affiliated with our Sponsor will beneficially own 25.6% of our outstanding common stock (22.7% if the underwriters exercise in full the option to purchase additional shares from the selling stockholders). Therefore, following the completion of this offering, our Sponsor's voting power will fall below 50%. However, our Sponsor will continue to be able to strongly influence our decisions and three of our directors, Joe Ferreira, David Oddi and Michael Stanley, who are affiliated with our Sponsor, will continue to serve on our board of directors. See "Certain Relationships and Related Party Transactions."

Upon completion of this offering, our Founders will continue to serve on our board of directors and will beneficially own 2.9% of our outstanding common stock (2.6% if the underwriters exercise in full the option to purchase additional shares from the selling stockholders). As a result, our Founders may be able to exert significant influence over certain of our decisions.

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### ***We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an emerging growth company, as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to obtain an assessment of the effectiveness of our internal controls over financial reporting from our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, we may elect to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. To the extent we choose to do so, our financial statements may not be comparable to companies that comply with such new or revised accounting standards. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

### ***The price of our common stock may be volatile and you could lose all or part of your investment.***

Since our initial public offering, our share price has ranged from a high of \$28.44 per share to a low of \$14.33 per share. Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons, which include:

- our quarterly or annual earnings or those of other companies in our industry;
- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to our business;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in accounting standards, policies, guidance, interpretations or principles;
- additions or departures of our senior management personnel;
- sales of our common stock by our directors and executive officers;
- sales or distributions of our common stock by our Sponsor or its affiliates;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by shareholders;
- the level and quality of research analyst coverage for our common stock, changes in financial estimates or investment recommendations by securities analysts following our business or failure to meet such estimates;
- the financial disclosure we may provide to the public, any changes in such disclosure or our failure to meet such disclosure;
- various market factors or perceived market factors, including rumors, whether or not correct, involving us, our distributors or suppliers or our competitors;
- acquisitions or strategic alliances by us or our competitors;
- short sales, hedging and other derivative transactions in our common stock;
- the operating and stock price performance of other companies that investors may deem comparable to us; and
- other events or factors, including changes in general conditions in the United States and global economies or financial markets (including those resulting from acts of God, war, incidents of terrorism or responses to such events).

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price.

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In the past, following periods of market volatility in the price of a company's securities, security holders have often instituted class action litigation. If the market value of our common stock experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management's attention could be diverted from the operation of our business, causing our business to suffer.

***Future sales of our common stock in the public market could lower our share price, and the exercise of stock options and any additional capital raised by us through the sale of our common stock may dilute your ownership in us.***

Sales of substantial amounts of our common stock in the public market by our existing stockholders in this offering, upon the exercise of outstanding stock options or stock options granted in the future or by persons who acquire shares in this offering may adversely affect the market price of our common stock. Such sales could also create public perception of difficulties or problems with our business. These sales might also make it more difficult for us to sell securities in the future at a time and price that we deem appropriate.

Upon the completion of this offering, we will have outstanding 15,993,275 shares of common stock, of which:

- 6,708,332 shares are shares that we sold in our IPO, which includes 874,999 shares sold to cover overallotments, and 4,500,000 shares are shares that our selling stockholders will sell in this offering and 30,209 other shares, unless purchased by affiliates, may be resold in the public market immediately after this offering; and
- 4,754,734 shares will be "restricted securities," as defined under Rule 144 under the Securities Act, and eligible for sale in the public market subject to the requirements of Rule 144, all of which are subject to lock-up agreements and will become available for resale in the public market beginning 90 days after the date of this prospectus.

In addition, we have reserved 1,250,000 shares of common stock for issuance under the 2012 Omnibus Equity Incentive Plan. See "Executive and Director Compensation—Executive Compensation—2012 Omnibus Equity Incentive Plan." As of September 23, 2012, we had 1,053,949 shares of common stock issuable upon exercise of outstanding options (841,121 of which were fully vested). In connection with this offering, 74,848 of the vested options were exercised.

With limited exceptions as described under the caption "Underwriting," the lock-up agreements with the underwriters of this offering prohibit a shareholder from selling, contracting to sell or otherwise disposing of any common stock or securities that are convertible or exchangeable for common stock or entering into any arrangement that transfers the economic consequences of ownership of our common stock for at least 90 days from the date of the prospectus filed in connection with this offering, although the lead underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to these lock-up agreements. The lead underwriters have advised us that they have no present intent or arrangement to release any shares subject to a lock-up and will consider the release of any lock-up on a case-by-case basis. Upon a request to release any shares subject to a lock-up, the lead underwriters would consider the particular circumstances surrounding the request including, but not limited to, the length of time before the lock-up expires, the number of shares requested to be released, reasons for the request, the possible impact on the market for our common stock and whether the holder of our shares requesting the release is an officer, director or other affiliate of ours. As a result of these lock-up agreements, notwithstanding earlier eligibility for sale under the provisions of Rule 144, none of these shares may be sold until at least 90 days after the date of this prospectus.

Pursuant to our stockholder agreement, we have granted certain registration rights to our Controlling Stockholder, MY/ZP Equity, LP, an entity wholly-owned by Michael Young and John Zapp (jointly, our "Founders"), and certain other stockholders. Should these stockholders exercise their registration rights under our stockholder agreement, the shares registered would no longer be restricted securities and would be freely tradable in the open market. See "Certain Relationships and Related Party Transactions—Registration Rights".

As restrictions on resale expire or as shares are registered, our share price could drop significantly if the holders of these restricted or newly registered shares sell them or are perceived by the market as intending to sell them. These sales might also make it more difficult for us to sell securities in the future at a time and at a price that we deem appropriate.



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### ***If securities analysts or industry analysts downgrade our shares, publish negative research or reports, or do not publish reports about our business, our share price and trading volume could decline.***

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business and our industry. If one or more analysts adversely change their recommendation regarding our shares or our competitors' stock, our share price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

### ***Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.***

Provisions in our certificate of incorporation and bylaws, as amended and restated, may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 15,000,000 shares of undesignated preferred stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by a majority of our board of directors, the Chair of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed only for cause by the holders of a supermajority of our outstanding shares of capital stock;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder (any stockholder with 15% or more of our capital stock) for a period of three years following the date on which the stockholder became an "interested" stockholder.

### ***Since we do not expect to pay any dividends for the foreseeable future, investors in this offering may be forced to sell their stock in order to realize a return on their investment.***

Since we do not expect to pay any dividends for the foreseeable future, investors may be forced to sell their shares in order to realize a return on their investment. Other than the dividend paid in connection with entering into our old credit facility, we have not declared or paid any dividends on our common stock. We do not anticipate that we will pay any dividends to holders of our common stock for the foreseeable future. Any payment of cash dividends will be at the discretion of our board of directors and will depend on our financial condition, capital requirements, legal requirements, earnings and other factors. Our ability to pay dividends is restricted by the terms of our new revolving credit facility and might be restricted by the terms of any indebtedness that we incur in the future. Consequently, you should not rely on dividends in order to receive a return on your investment. See "Dividend Policy."

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### ***Our reported financial results may be adversely affected by changes in accounting principles applicable to us.***

Our reported financial results may be adversely affected by changes in accounting principles applicable to us. Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. In addition, the SEC has announced a multi-year plan that could ultimately lead to the use of International Financial Reporting Standards by U.S. issuers in their SEC filings. Any such change could have a significant effect on our reported financial results.

### ***Our ability to raise capital in the future may be limited.***

Our ability to raise capital in the future may be limited. Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms, or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing shareholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings, diluting their interest and reducing the market price of our common stock.

### ***Conflicts of interest may arise because some of our directors are principals of our principal stockholders.***

Upon the completion of this offering, representatives of our Sponsor and our Founders will occupy a majority of the seats on our board of directors. Our Sponsor is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our Sponsor may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Our Founders could also invest in entities that directly or indirectly compete with us. As a result of these relationships, when conflicts arise between the interests of our Sponsor and our Founders and the interests of our stockholders, these directors may not be disinterested.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under the captions “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and elsewhere in this prospectus may include forward-looking statements. These statements reflect the current views of our senior management with respect to future events and our financial performance. These statements include forward-looking statements with respect to our business and industry in general. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “forecast,” “estimate,” “may,” “should,” “anticipate” and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

Forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the following:

- the success of our existing and new restaurants;
- our ability to identify appropriate sites and develop and expand our operations;
- changes in economic conditions, including continuing effects from the recent recession;
- damage to our reputation or lack of acceptance of our brand in existing or new markets;
- economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located;
- the impact of negative economic factors, including the availability of credit, on our landlords and surrounding tenants;
- changes in food availability and costs;
- labor shortages and increases in our labor costs, including as a result of changes in government regulation, such as the adoption of the new federal health care legislation;
- increased competition in the restaurant industry and the segments in which we compete;
- the impact of legislation and regulations regarding nutritional information, and new information or attitudes regarding diet and health or adverse opinions about the health of consuming our menu offerings;
- the impact of federal, state and local beer, liquor and food service regulations;
- the success of our marketing programs;
- the impact of new restaurant openings, including on the effect on our existing restaurants of opening new restaurants in the same markets;
- the loss of key members of our management team;
- strain on our infrastructure and resources caused by our growth;
- the impact of litigation;
- the inadequacy of our insurance coverage and fluctuating insurance requirements and costs;
- the impact of our indebtedness on our ability to invest in the ongoing needs of our business;
- our ability to obtain debt or other financing on favorable terms or at all;
- the impact of a potential requirement to record asset impairment charges in the future;
- the impact of security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions;
- inadequate protection of our intellectual property;
- the failure of our information technology system or the breach of our network security;
- a major natural or man-made disaster;
- our increased costs and obligations as a result of being a public company;
- the impact of federal, state and local tax;
- the impact of electing to take advantage of certain exemptions applicable to emerging growth companies;
- the impact of our election and the loss of our ability to avail ourselves of the controlled-company exemptions from corporate governance requirements of the Nasdaq Marketplace rules;
- volatility in the price of our common stock;

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- the impact of future sales of our common stock in the public market, and the exercise of stock options and any additional capital raised by us through the sale of our common stock;
- the significant influence our Sponsor will continue to have over us after this offering and the significant influence our Founders may continue to exert over us;
- the impact of a downgrade of our shares by securities analysts or industry analysts, the publication of negative research or reports, or lack of publication of reports about our business;
- the effect of anti-takeover provisions in our charter documents and under Delaware law;
- the effect of our decision to not pay dividends for the foreseeable future;
- the effect of changes in accounting principles applicable to us;
- our ability to raise capital in the future;
- the conflicts of interest that may arise because some of our directors are principals of our principal stockholders; and
- other factors discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this prospectus. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Any forward-looking statements you read in this prospectus reflect our views as of the date of this prospectus with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. Before making a decision to purchase our common stock, you should carefully consider all of the factors identified in this prospectus that could cause actual results to differ.

### USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock by the selling stockholders, including any sale of shares from the exercise by the underwriters of their option to purchase additional shares from the selling stockholders. The selling stockholders who are our officers will obtain a portion of the shares to be sold by exercising stock options under the Amended and Restated 2006 Stock Plan. We will receive \$206,580 in proceeds from the exercise of these stock options, or \$767,719 if the underwriters exercise their option to purchase additional shares from the selling stockholders in full. We have agreed to pay certain expenses related to this offering, which we estimate to be approximately \$550,000.

## DIVIDEND POLICY

We did not declare or pay any dividends on our common stock during fiscal years 2009 and 2010. We declared and paid a dividend of \$1.75 per share on shares of our common stock and our series A preferred stock, series B preferred stock and series X preferred stock during May 2011, totaling \$19.0 million. We paid this dividend as a partial return of capital to our stockholders. We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements and such other factors as our board of directors deems relevant. In addition, in certain circumstances, our new revolving credit facility restricts our ability to pay dividends. See "Description of Indebtedness."

**MARKET PRICE OF COMMON STOCK**

Our common stock is listed on the Nasdaq Global Select Market under the Symbol "CHUY." Shares in our IPO were priced at \$13.00 per share on July 23, 2012. The following table sets forth, for the periods indicated, the high and low sales price for our common stock on the Nasdaq Global Select Market.

	<u>HIGH</u>	<u>LOW</u>
Third Quarter of 2012 (July 24, 2012 – September 23, 2012)	\$24.30	\$14.33
Fourth Quarter of 2012 (September 24, 2012 – December 30, 2012)	\$28.44	\$20.40
First Quarter of 2013 (December 31, 2012 – January 18, 2013)	\$25.74	\$22.15

The last reported sales price for our common stock on January 18, 2013, was \$24.36. As of January 18, 2013, there were approximately 14 holders of record of our common stock. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street name" or persons, partnerships, associates, corporations, or other entities in security position listings maintained by depositories.

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 23, 2012 on an actual basis. You should read this information in conjunction with “Use of Proceeds,” “Selected Consolidated Historical Financial and Operating Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity,” and our consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>AS OF</b> <b>SEPTEMBER 23, 2012</b> <b>(In thousands)</b>
Cash and cash equivalents	\$ 3,561
Long-term debt, including current portion:	
Old Revolving Credit Facility <sup>1</sup>	\$ —
Term A Loan Facility <sup>1</sup>	4,994
Total debt	4,994
Stockholders’ Equity:	
Common Stock	159
Paid-in Capital	80,230
Retained earnings	4,442
Total stockholders’ equity	84,831
Total capitalization	\$ 89,825

<sup>1</sup> The Old Revolving Credit Facility was part of our old credit facility and provided for borrowings of up to \$5.0 million, of which approximately \$5.0 million was available as of September 23, 2012 for working capital and general corporate purposes. On November 30, 2012, we entered into a \$25.0 million secured revolving credit facility (the “new revolving credit facility”) and borrowed \$5.0 million thereunder to repay all the debt outstanding under the Term A Loan Facility under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility.



## DILUTION

Except for the 74,848 shares to be sold by certain of our officers by exercising stock options under the Amended and Restated 2006 Stock Plan, or 278,159 shares if the underwriters' option to purchase additional shares is exercised in full, the shares of common stock to be sold by the selling stockholders pursuant to this prospectus are currently issued and outstanding. Accordingly, the only dilution to our existing stockholders as a result of this offering will be as a result of the exercise of stock options by certain of our officers.

**SELECTED CONSOLIDATED HISTORICAL FINANCIAL AND OPERATING DATA**

The following table sets forth, for the periods and dates indicated, our summary historical consolidated financial and operating data. We have derived the statement of operations data for the fiscal years ended December 27, 2009, December 26, 2010 and December 25, 2011 and the balance sheet data as of December 26, 2010 and December 25, 2011 from our audited consolidated financial statements appearing elsewhere in this prospectus. We have derived the statement of operations data for the fiscal years ended December 30, 2007 and December 28, 2008 and the balance sheet data as of December 30, 2007, December 28, 2008 and December 27, 2009 from our audited consolidated financial statements not included elsewhere in this prospectus. We have derived the statement of operations data for the thirty-nine weeks ended September 25, 2011 and September 23, 2012 and balance sheet data as of September 23, 2012 from our unaudited interim consolidated financial statements appearing elsewhere in this prospectus. We have derived the balance sheet data as of September 25, 2011 from our unaudited interim consolidated financial statements not included elsewhere in this prospectus. You should read this information in conjunction with "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes to those statements included elsewhere in this prospectus.

	YEAR ENDED <sup>(1)</sup>					THIRTY-NINE WEEKS ENDED	
	DECEMBER 30, 2007	DECEMBER 28, 2008	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
(Dollars in thousands, except per share data)							
<b>Statement of Operations Data:</b>							
Revenue	\$ 42,092	\$ 51,868	\$ 69,394	\$ 94,908	\$ 130,583	\$ 97,321	\$ 125,960
Cost of Sales	12,008	14,399	18,196	25,626	36,139	27,122	33,764
Labor	11,713	14,956	21,186	30,394	41,545	30,565	40,295
Operating	6,765	8,021	10,482	14,292	19,297	14,249	17,810
Occupancy	2,659	3,248	4,314	5,654	7,622	5,558	7,536
General and administrative	6,134	6,342	4,617	5,293	7,478	5,611	6,419
Advisory agreement termination fee	—	—	—	—	—	—	2,000
Settlement with former director	—	—	—	—	245	245	—
Marketing	314	389	533	655	964	733	954
Restaurant pre-opening	5	867	1,673	1,959	3,385	2,568	2,914
Depreciation and amortization	518	785	1,549	2,732	4,448	3,141	4,672
Total costs and expenses	40,115	49,007	62,550	86,605	121,123	89,792	116,364
Income (loss) from operations	1,977	2,861	6,844	8,303	9,460	7,529	9,596
Interest expense	2,832	2,823	3,114	3,584	4,362	3,134	5,451
Income (loss) before income taxes	(855)	38	3,730	4,719	5,098	4,395	4,145
Income tax provision (benefit) expense	26	(113)	1,077	1,428	1,634	1,248	1,243
Net income (loss)	\$ (881)	\$ 151	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Undistributed earnings allocated to participating interests	\$ —	\$ 149	\$ 2,620	\$ 5,617	\$ 3,423	\$ 3,110	\$ 2,171
Net income (loss) available to common stockholders	\$ —	\$ 2	\$ 33	\$ (2,326)	\$ 41	\$ 37	\$ 731

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	YEAR ENDED <sup>(1)</sup>					THIRTY-NINE WEEKS ENDED	
	DECEMBER 30, 2007	DECEMBER 28, 2008	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
(Dollars in thousands, except per share data)							
<b>Per Share Data:</b>							
Basic net income (loss) per share	\$ (18.16)	\$ 0.02	\$ 0.26	\$ (17.18)	\$ 0.21	\$ 0.20	\$ 0.21
Diluted net income (loss) per share	\$ (18.16)	\$ 0.01	\$ 0.25	\$ (17.18)	\$ 0.20	\$ 0.20	\$ 0.19
Weighted average common stock outstanding							
Basic	48,521	101,503	126,218	135,392	191,166	181,117	3,539,732
Diluted <sup>(2)</sup>	48,521	10,457,528	10,638,514	135,392	10,852,651	10,845,694	11,501,870
<b>Balance Sheet Data (at end of period):</b>							
Cash and cash equivalents	\$ 754	\$ 1,608	\$ 2,062	\$ 3,337	\$ 2,827	\$ 3,644	\$ 3,561
Net working capital (deficit)	(3,060)	(6,865)	(2,817)	861	(4,258)	(3,074)	(3,500)
Total assets	47,760	58,120	70,164	88,642	105,938	101,609	121,586
Total debt	16,514	20,364	29,914	30,732	55,200	52,652	4,994
Common stock subject to put option	—	—	—	—	432	429	—
Total stockholders' equity	27,345	28,691	31,920	40,968	25,627	25,122	84,831
<b>Other Financial Data:</b>							
Net cash provided by operating activities	\$ 1,108	\$ 3,111	\$ 6,292	\$ 11,752	\$ 17,203	\$ 14,967	\$ 15,211
Net cash used in investing activities	(654)	(6,287)	(15,588)	(16,646)	(20,682)	(15,575)	(20,437)
Net cash provided by (used in) financing activities	(1,028)	4,030	9,750	6,169	2,969	915	5,960
Capital expenditures	654	6,029	15,395	16,370	20,452	15,464	20,118
Restaurant-Level EBITDA <sup>(3)</sup>	8,634	10,855	14,683	18,287	25,016	19,094	25,601
Restaurant-Level EBITDA margin <sup>(3)</sup>	20.5%	20.9%	21.2%	19.3%	19.2%	19.6%	20.3%
Adjusted EBITDA <sup>(3)</sup>	5,731	7,321	10,349	13,369	18,930	14,783	19,276
Adjusted EBITDA margin <sup>(3)</sup>	13.6%	14.1%	14.9%	14.1%	14.5%	15.2%	15.3%
<b>Operating Data:</b>							
Total restaurants (at end of period)	8	12	17	23	31	29	38
Total comparable restaurants (at end of period)	8	8	8	13	18	17	23
Average sales per comparable restaurant <sup>(4)</sup>	\$ 5,247	\$ 5,400	\$ 5,292	\$ 5,086	\$ 4,987	\$ 3,866	\$ 3,823
Change in comparable restaurant sales <sup>(4)</sup>	7.1%	2.9%	(2.0)%	0.7%	3.1%	4.2%	2.0%
Average check <sup>(5)</sup>	\$ 12.14	\$ 12.71	\$ 12.80	\$ 12.77	\$ 12.98	\$ 13.02	\$ 13.20

<sup>(1)</sup> We utilize a 52- or 53-week accounting period which ends on the Sunday immediately preceding December 31. The fiscal years ended December 30, 2007, December 28, 2008, December 27, 2009, December 26, 2010 and December 25, 2011 all had 52 weeks. The fiscal year ending December 30, 2012 will have 53 weeks.

<sup>(2)</sup> The net income available to common stockholders used in the diluted net income per share calculation was increased to \$151,000, \$2.7 million and \$2.2 million for the fiscal years ended December 28, 2008, December 27, 2009 and December 25, 2011 and to \$2.2 million and

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\$2.2 million for the thirty-nine weeks ended September 25, 2011 and September 23, 2012, respectively. These increases were the result of adding back to net income available to common stockholders the undistributed earnings allocated to the series A preferred stock and series B preferred stock as they were assumed converted as of the beginning of each period under the "if-converted method." No adjustment was made to net income available to common stockholders for the fiscal years ended December 30, 2007 and December 26, 2010 as it was anti-dilutive to assume conversion of the series A preferred stock and series B preferred stock. No adjustment was made for the conversion of the series X preferred stock in any period because it was antidilutive to assume conversion of the series X preferred stock in each period. For additional information, see Note 2 to our consolidated financial statements.

Diluted weighted average common stock outstanding reflects the dilutive effect of our outstanding options and the conversion of our series A preferred stock, series B preferred stock and series X preferred stock using the "if-converted method" except when assumed conversion would be anti-dilutive. All per share amounts give effect to our reverse stock split.

(3) Restaurant-Level EBITDA represents net income (loss) plus the sum of general and administrative expenses, the advisory agreement termination fee, the settlement with our former director, restaurant pre-opening costs, depreciation and amortization, interest and taxes. Adjusted EBITDA represents net income (loss) before interest, taxes, depreciation and amortization plus the sum of management fees and expenses, predecessor company adjustments, deferred compensation the advisory agreement termination fee, the settlement with our former director, and restaurant pre-opening costs.

We are presenting Restaurant-Level EBITDA and Adjusted EBITDA, which are not prepared in accordance with U.S. generally accepted accounting principles, or GAAP. We present these measures because we believe that they provide an additional metric by which to evaluate our operations and, when considered together with our GAAP results and the reconciliation to our net income (loss), we believe they provide a more complete understanding of our business than could be obtained absent this disclosure. We use Restaurant-Level EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue, income from operations, net income and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. Restaurant-Level EBITDA and Adjusted EBITDA are presented because: (i) we believe they are useful measures for investors to assess the operating performance of our business without the effect of non-cash depreciation and amortization expenses; (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness; and (iii) we use Restaurant-Level EBITDA and Adjusted EBITDA internally as benchmarks to evaluate our operating performance or compare our performance to that of our competitors. Additionally, we present Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses, which are not incurred at the restaurant level, and restaurant pre-opening costs, which are non-recurring at the restaurant level. The use of Restaurant-Level EBITDA thereby enables us and our investors to compare our operating performance between periods and to compare our operating performance to the performance of our competitors. The measure is also widely used within the restaurant industry to evaluate restaurant level productivity, efficiency and performance. The use of Restaurant-Level EBITDA and Adjusted EBITDA as performance measures permits a comparative assessment of our operating performance relative to our performance based on our GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. Companies within our industry exhibit significant variations with respect to capital structures and cost of capital (which affect interest expense and tax rates) and differences in book depreciation of facilities and equipment (which affect relative depreciation expense), including significant differences in the depreciable lives of similar assets among various companies. Our management believes that Restaurant-Level EBITDA and Adjusted EBITDA facilitate company-to-company comparisons within our industry by eliminating some of the foregoing variations.

Restaurant-Level EBITDA and Adjusted EBITDA are not determined in accordance with GAAP and should not be considered in isolation or as an alternative to net income, income from operations, net cash provided by operating, investing or financing activities or other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with GAAP. Restaurant-Level EBITDA and Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. Restaurant-Level EBITDA and Adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies and our presentation of Restaurant-Level EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual items.

Our management recognizes that Restaurant-Level EBITDA and Adjusted EBITDA have limitations as analytical financial measures, including the following:

- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect our current capital expenditures or future requirements for capital expenditures;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, associated with our indebtedness;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, nor do Restaurant-Level EBITDA and Adjusted EBITDA reflect any cash requirements for such replacements;
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs; and
- Restaurant-Level EBITDA and Adjusted EBITDA do not reflect restaurant pre-opening costs.
- Restaurant-Level EBITDA does not reflect general and administrative expenses.

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A reconciliation of Restaurant-Level EBITDA, Adjusted EBITDA and EBITDA to our net income (loss) is provided below.

	YEAR ENDED <sup>(1)</sup>					THIRTY-NINE WEEKS ENDED	
	DECEMBER 30, 2007	DECEMBER 28, 2008	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
(Dollars in thousands)							
<b>Adjusted EBITDA:</b>							
Net income (loss)	\$ (881)	\$ 151	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Income tax provision (benefit) expense	26	(113)	1,077	1,428	1,634	1,248	1,243
Interest expense	2,832	2,823	3,114	3,584	4,362	3,134	5,451
Depreciation and amortization	518	785	1,549	2,732	4,448	3,141	4,672
EBITDA	\$ 2,495	\$ 3,646	\$ 8,393	\$ 11,035	\$ 13,908	\$ 10,670	\$ 14,268
Deferred compensation <sup>(a)</sup>	2,660	2,438	(100)	—	—	—	—
Management fees and expenses <sup>(b)</sup>	571	370	383	375	373	281	94
Advisory agreement termination fee <sup>(c)</sup>	—	—	—	—	—	—	2,000
Settlement with former director <sup>(d)</sup>	—	—	—	—	245	245	—
Restaurant pre-opening costs <sup>(e)</sup>	5	867	1,673	1,959	3,385	2,568	2,914
Special one-time bonus payment <sup>(f)</sup>	—	—	—	—	1,019	1,019	—
Adjusted EBITDA	\$ 5,731	\$ 7,321	\$ 10,349	\$ 13,369	\$ 18,930	\$ 14,783	\$ 19,276
<b>Restaurant-Level EBITDA:</b>							
Net Income (loss)	\$ (881)	\$ 151	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Income tax provision (benefit) expense	26	(113)	1,077	1,428	1,634	1,248	1,243
Interest expense	2,832	2,823	3,114	3,584	4,362	3,134	5,451
General and administrative	6,134	6,342	4,617	5,293	7,478	5,611	6,419
Advisory agreement termination fee	—	—	—	—	—	—	2,000
Settlement with former director	—	—	—	—	245	245	—
Restaurant pre-opening <sup>(e)</sup>	5	867	1,673	1,959	3,385	2,568	2,914
Depreciation and amortization	518	785	1,549	2,732	4,448	3,141	4,672
Restaurant-Level EBITDA	\$ 8,634	\$ 10,855	\$ 14,683	\$ 18,287	\$ 25,016	\$ 19,094	\$ 25,601

<sup>(a)</sup> In connection with our acquisition by our Sponsor, we entered into employment agreements with certain employees pursuant to which we agreed to pay bonuses monthly over a two or three year period. The payment of the bonuses under certain of these employment agreements was subject to continued employment with us. For bonus payments subject to continued employment, we recognized the bonus payments as compensation expense on a straight-line basis over the requisite service period. With respect to certain agreements that were not subject to continued employment, we recognized the bonus payments as compensation expense at the time the expense was incurred. All required payments under these employment agreements have been made as of December 27, 2009. In accordance with these employment agreements, the entity owned by our Founders assumed the obligations to make future payments under the employment agreements. See "Certain Relationships and Related Party Transactions—Bonus Payments and Related Note Payable to Founders."

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- (b) On November 7, 2006, in connection with the Sponsor's investment, we entered into an advisory agreement with our Sponsor, pursuant to which our Sponsor agreed to provide us with certain financial advisory services. In exchange for these services, we pay the Sponsor an aggregate annual management fee equal to \$350,000, and we reimburse our Sponsor for out-of-pocket expenses incurred in connection with the provision of services pursuant to the agreement. Upon the completion of the credit facility amendment, we and our Sponsor terminated the advisory agreement in exchange for a termination fee of \$2.0 million.
- (c) Upon the completion of the credit facility amendment, we and our Sponsor terminated the advisory agreement in exchange for a termination fee of \$2.0 million.
- (d) In June 2011, in connection with the departure of a former director, we entered into a settlement agreement in which we paid \$175,000 and expensed an additional \$70,000 related to a one-time put option in which the former director may require us to repurchase his shares anytime from June 15, 2012 to August 13, 2012. For additional information, see "Certain Relationship and Related Party Transactions—Settlement Agreement."
- (e) Restaurant pre-opening costs include expenses directly associated with the opening of new restaurants and are incurred prior to the opening of a new restaurant. See Note 1 to our audited consolidated financial statements for additional details.
- (f) In connection with entering into our old credit facility, we paid a special one-time cash bonus payment to certain members of management.

Adjusted EBITDA margin is defined as the ratio of Adjusted EBITDA to revenues. We present Adjusted EBITDA margin because it is used by management as a performance measurement to judge the level of Adjusted EBITDA generated from revenues and we believe its inclusion is appropriate to provide additional information to investors.

- (4) We consider a restaurant to be comparable in the first full quarter following the eighteenth month of operations. Change in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time.
- (5) Average check is calculated by dividing revenue by customer counts for a given period of time. Customer count is measured by the number of entrees sold.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with "Selected Consolidated Historical Financial and Operating Data" and our consolidated financial statements and the related notes to those statements included elsewhere in this prospectus. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this prospectus.*

### General

We are a fast-growing, full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex Mex inspired food. We were founded in Austin, Texas in 1982 by Mike Young and John Zapp, and as of January 18, 2013, we operated 40 Chuy's restaurants across Texas, Tennessee, Kentucky, Alabama, Indiana, Georgia, Oklahoma and Florida.

We are committed to providing value to our customers through offering generous portions of made-from-scratch, flavorful Mexican and Tex Mex inspired dishes. We also offer a full-service bar in all of our restaurants providing our customers a wide variety of beverage offerings. We believe the Chuy's culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and our customers' restaurant experience.

Our restaurants have a common décor, but we believe each location is unique in format, offering an "unchained" look and feel, as expressed by our motto "If you've seen one Chuy's, you've seen one Chuy's!" We believe our restaurants have an upbeat, funky, eclectic, somewhat irreverent atmosphere while still maintaining a family-friendly environment. For additional information on our restaurants, see "Business."

### Our Growth Strategies and Outlook

Our growth is based primarily on the following strategies:

- Pursue new restaurant development;
- Deliver consistent same store sales through providing high-quality food and service; and
- Leverage our infrastructure.

We opened eight restaurants in 2012 and plan to open eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. From January 1, 2013 to the end of 2017, we expect to open a total of 59 to 64 new restaurants. We have an established presence in Texas, the Southeast and the Midwest, with restaurants in multiple large markets in these regions. Our growth plan over the next five years focuses on developing additional locations in our existing core markets, new core markets and in smaller markets surrounding each of those core markets. For additional discussion of our growth strategies and outlook, see "Business—Our Business Strategies."

### Performance Indicators

We use the following performance indicators in evaluating our performance:

- *Number of Restaurant Openings*. Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For 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 six to ten months after opening. However, operating costs during this initial six to ten month periods are also higher than normal, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately nine to twelve months after opening.
- *Comparable Restaurant Sales*. We consider a restaurant to be comparable in the first full quarter following the 18th month of operations. Changes in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. Changes in comparable sales reflect changes in customer count trends as well as changes in average check. Our comparable restaurant base consisted of 23 and 17 restaurants at September 23, 2012 and September 25, 2011, respectively.

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- *Average Check.* Average check is calculated by dividing revenue by total entrees sold for a given time period. Average check reflects menu price influences as well as changes in menu mix. Our management team uses this indicator to analyze trends in customers' preferences, effectiveness of menu changes and price increases and per customer expenditures.
- *Average Weekly Customers.* Average weekly customers is measured by the number of entrees sold per week. Our management team uses this metric to measure changes in customer traffic.
- *Average Unit Volume.* Average unit volume consists of the average sales of our comparable restaurants over a certain period of time. This measure is calculated by dividing total comparable restaurant sales by total number of comparable restaurants within a period by the relevant period. This indicator assists management in measuring changes in customer traffic, pricing and development of our brand.
- *Operating Margin.* Operating margin represents income from operations as a percentage of our revenue. By monitoring and controlling our operating margins, we can gauge the overall profitability of our company.

### **Our Fiscal Year**

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2009, 2010 and 2011 fiscal years each consisted of 52 weeks. The 2012 fiscal year will consist of 53 weeks.

### **Key Financial Definitions**

*Revenue.* Revenue primarily consists of food and beverage sales and also includes sales of our t-shirts, sweatshirts and hats. Revenue is presented net of discounts, such as management and employee meals, associated with each sale. Revenue in a given period is directly influenced by the number of operating weeks in such period, the number of restaurants we operate and comparable restaurant sales growth.

*Cost of Sales.* Cost of sales consists primarily of food, beverage and merchandise related costs. The components of cost of sales are variable in nature, change with sales volume and are subject to increases or decreases based on fluctuations in commodity costs.

*Labor Costs.* Labor costs include restaurant management salaries, front- and back-of-house hourly wages and restaurant-level manager bonus expense, employee benefits and payroll taxes.

*Operating Costs.* Operating costs consist primarily of restaurant-related operating expenses, such as supplies, utilities, repairs and maintenance, travel cost, insurance, credit card fees, recruiting, delivery service and security. These costs generally increase with sales volume but decline as a percentage of revenue.

*Occupancy Costs.* Occupancy costs include rent charges, both fixed and variable, as well as common area maintenance costs, property insurance and taxes, the amortization of tenant allowances and the adjustment to straight-line rent. These costs are generally fixed but a portion may vary with an increase in sales when the lease contains percentage rent.

*General and Administrative Expenses.* General and administrative expenses include costs associated with corporate and administrative functions that support our operations, including senior and supervisory management and staff compensation (including stock-based compensation) and benefits, travel, financial advisory fees paid to Goode Partners LLC (our "Sponsor") prior to termination of the advisory agreement with our Sponsor, legal and professional fees, information systems, corporate office rent and other related corporate costs. As a public company, we expect our stock-based compensation expense to increase. In addition, we estimate that we will incur approximately \$1.3 million to \$1.6 million of incremental general and administrative expenses as a result of being a public company.

*Marketing.* Marketing costs include costs associated with our local restaurant marketing programs, community service and sponsorship activities, our menus and other promotional activities.

*Restaurant Pre-opening Costs.* Restaurant pre-opening costs consist of costs incurred before opening a restaurant, including manager salaries, relocation costs, supplies, recruiting expenses, initial new market public relations costs, pre-opening activities, employee payroll and related training costs for new employees. Restaurant pre-opening costs also include rent recorded during the period between date of possession and the restaurant opening date.



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*Depreciation and Amortization.* Depreciation and amortization principally include depreciation on fixed assets, including equipment and leasehold improvements, and amortization of certain intangible assets for restaurants.

*Interest Expense.* Interest expense consists primarily of interest on our outstanding indebtedness and the amortization of our debt issuance costs reduced by capitalized interest.

### Results of Operations

The following table presents the consolidated statement of operations for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, and the thirty-nine weeks ended September 25, 2011 and September 23, 2012, each line item as a percentage of revenue.

	YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
REVENUE	100.0%	100.0%	100.0%	100.0%	100.0%
OPERATING COSTS:					
Cost of sales	26.2%	27.0%	27.7%	27.9%	26.8%
Labor	30.5%	32.0%	31.8%	31.4%	32.0%
Operating	15.1%	15.1%	14.8%	14.6%	14.1%
Occupancy	6.2%	6.0%	5.8%	5.7%	6.0%
General and administrative	6.7%	5.6%	5.7%	5.8%	5.1%
Advisory agreement termination fee	0.0%	0.0%	0.0%	0.0%	1.6%
Settlement with former director	0.0%	0.0%	0.2%	0.3%	0.0%
Marketing	0.8%	0.7%	0.8%	0.8%	0.8%
Restaurant pre-opening	2.4%	2.0%	2.6%	2.6%	2.3%
Depreciation and amortization	2.2%	2.9%	3.4%	3.2%	3.7%
Total costs and expenses	90.1%	91.3%	92.8%	92.3%	92.4%
INCOME FROM OPERATIONS	9.9%	8.7%	7.2%	7.7%	7.6%
INTEREST EXPENSE	4.5%	3.7%	3.3%	3.2%	4.3%
INCOME BEFORE INCOME TAXES	5.4%	5.0%	3.9%	4.5%	3.3%
INCOME TAX PROVISION EXPENSE	1.6%	1.5%	1.2%	1.3%	1.0%
NET INCOME	3.8%	3.5%	2.7%	3.2%	2.3%

### Potential Fluctuations in Quarterly Results and Seasonality

Our quarterly operating results may fluctuate significantly as a result of a variety of factors, including the timing of new restaurant openings and related expenses, profitability of new restaurants, weather, increases or decreases in comparable restaurant sales, general economic conditions, consumer confidence in the economy, changes in consumer preferences, competitive factors, changes in food costs, changes in labor costs and rising gas prices. In the past, we have experienced significant variability in restaurant pre-opening costs from quarter to quarter primarily due to the timing of restaurant openings. We typically incur restaurant pre-opening costs in the five months preceding a new restaurant opening. In addition, our experience to date has been that labor and direct operating and occupancy costs associated with a newly opened restaurant during the first three to four months of operation are often materially greater than what will be expected after that time, both in aggregate dollars and as a percentage of restaurant sales. Accordingly, the number and timing of new restaurant openings in any quarter has had, and is expected to continue to have, a significant impact on quarterly restaurant pre-opening costs, labor and direct operating and occupancy costs.

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Our business also is subject to fluctuations due to season and adverse weather. Our results of operations have historically been impacted by seasonality. The spring and summer months as well as December have traditionally had higher sales volume than other periods of the year. Holidays, severe winter weather, hurricanes, thunderstorms and similar conditions may impact restaurant unit volumes in some of the markets where we operate and may have a greater impact should they occur during our higher volume months. As a result of these and other factors, our financial results for any given quarter may not be indicative of the results that may be achieved for a full fiscal year.

### ***Thirty-Nine Weeks Ended September 23, 2012 Compared to Thirty-Nine Weeks Ended September 25, 2011***

**Revenue.** Revenue increased \$28.6 million, or 29.4%, to \$126.0 million for the thirty-nine weeks ended September 23, 2012, as compared to \$97.3 million for the thirty-nine weeks ended September 25, 2011. This increase was driven by \$27.2 million in incremental revenue from our non-comparable restaurants, which included an additional 330 operating weeks provided by fifteen new restaurants opened during and subsequent to the thirty-nine weeks ended September 25, 2011. During this period, comparable restaurant sales increased 2.0% over the same comparable period the prior year. Of this 2.0% increase, 0.6% of the increase resulted from an increase in average weekly customers and 1.4% of the increase resulted from changes in average check. Our revenue attributed to food, bar and merchandise sales was consistent at approximately 79.4%, 19.6% and 1.0% of total revenue, respectively.

**Cost of Sales.** Cost of sales as a percentage of revenue decreased to 26.8% during the thirty-nine weeks ended September 23, 2012, from 27.9% during the same period in 2011. This percentage decrease resulted primarily from price decreases in produce costs and, to a lesser degree, decreases in dairy and bar perishable costs, partially offset by increases in grocery and chicken costs.

**Labor Costs.** Labor costs as a percentage of revenue, increased to 32.0% during the thirty-nine weeks ended September 23, 2012, from 31.4% during the same period in 2011, primarily as a result of increased training and staffing levels at our new restaurants, partially offset by improved labor efficiencies in our comparable restaurants.

**Operating Costs.** Operating costs as a percentage of revenue, decreased to 14.1% during the thirty-nine weeks ended September 23, 2012, from 14.6% during the same period in 2011, primarily attributable to lower liquor taxes as a result of opening more locations outside of Texas, which charges a higher liquor tax than other jurisdictions and lower utility costs and credit card fees. The reduction was partially offset by an increase in workers compensation insurance premiums as of result of opening more new locations outside the state of Texas.

**Occupancy Costs.** Occupancy costs as a percentage of revenue, increased to 6.0% during the thirty-nine weeks ended September 23, 2012, from 5.7% during the same period in 2011 primarily attributable to increased rent for additional parking at certain of our high volume locations and higher common area expenses as well as higher rent expense as a percentage of revenue for certain noncomparable restaurants.

**General and Administrative Expenses.** General and administrative expenses increased \$0.8 million, or 14.4%, to \$6.4 million for the thirty-nine weeks ended September 23, 2012, as compared to \$5.6 million for the thirty-nine weeks ended September 25, 2011. This increase was primarily driven by a \$1.2 million increase in salary and bonus expense associated with additional employees as we continue to strengthen our infrastructure for future growth, and the incremental costs associated with operating as a public company. The general and administrative expense for the thirty-nine weeks ended September 25, 2011 included a one-time cash bonus totaling \$1.0 million paid to members of management in May 2011 in conjunction with the refinancing of our credit facility. As a percentage of revenue, general and administrative expenses decreased to 5.1% for the thirty-nine weeks ended September 23, 2012, as compared to 5.8% for the same period in 2011 (4.7% before the one-time bonus payment). We expect general and administrative expenses to increase as we continue to strengthen our infrastructure. However, we expect that general and administrative expenses as a percentage of revenue will continue to decrease due to operating leverage.

**Advisory Agreement Termination Fee.** Advisory agreement termination fee was \$2.0 million for the thirty-nine weeks ended September 23, 2012. On March 21, 2012, we paid a \$2.0 million termination fee to terminate our advisory agreement with our Sponsor. We paid the termination fee using the proceeds from our additional borrowings of \$25.0 million under our old credit facility. See our discussion in "Description of Indebtedness" in our consolidated audited financial statements and notes for the fiscal year ended December 25, 2011 filed as part of our Registration Statement.

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Settlement with Former Director. Settlement with a former director was \$0.2 million for the thirty-nine weeks ended September 25, 2011. We paid this one-time settlement fee to a former director in June 2011 as discussed in Note 14 to our consolidated audited financial statements for the fiscal year ended December 25, 2011 filed as part of our Registration Statement.

Marketing Costs. As a percentage of revenue, marketing costs remained flat at approximately 0.8%. Our marketing costs in a particular period are generally limited to the period's proportionate amount of our marketing budget of 0.8% of sales.

Restaurant Pre-Opening Costs. Restaurant pre-opening costs increased by \$0.3 million, or 13.5%, to \$2.9 million for the thirty-nine weeks ended September 23, 2012, as compared to \$2.6 million for the thirty-nine weeks ended September 25, 2011. This resulted primarily from ten restaurants in development during the thirty-nine weeks ended September 23, 2012 compared to eight restaurants in development during the comparable period in 2011.

Depreciation and Amortization. Depreciation and amortization increased \$1.6 million from \$3.1 million to \$4.7 million, due to an increase in equipment and leasehold improvements as a result of additional restaurant openings. As a percentage of revenue, depreciation and amortization expenses increased to 3.7% for the thirty-nine weeks ended September 23, 2012 from 3.2% for the thirty-nine weeks ended September 25, 2011. This increase is primarily related to the increase in equipment and leasehold improvements related to new restaurant openings, which is partially offset by restaurant equipment becoming fully depreciated in some of our comparable restaurants.

Interest Expense. Interest expense increased \$2.3 million for the thirty-nine weeks ended September 23, 2012, as compared to the thirty-nine weeks ended September 25, 2011. This increase was due to greater average outstanding borrowings offset by a reduction in the average effective interest rate from 9.5% to 8.5% under our old credit facility during the thirty-nine weeks ended September 23, 2012, as compared to the thirty-nine weeks ended September 25, 2011. The interest rate reduction was associated with the refinancing of our credit facility we completed in May of 2011. Additionally, we recorded a \$1.6 million write off of loan origination costs associated with the pay down of \$79.4 million of borrowings with proceeds from the IPO during the thirty-nine weeks ended September 23, 2012. In connection with entering into our \$25.0 million secured revolving credit facility (the "new revolving credit facility") on November 30, 2012, we borrowed \$5.0 million under the facility and repaid approximately \$5.0 million of outstanding debt remaining under our old credit facility. We recorded a \$0.1 million write off of loan origination costs associated with the pay down of the outstanding debt remaining under our old credit facility during the fourteen weeks ended December 30, 2012. Under our new revolving credit facility, we elected a variable rate of interest based on LIBOR. As of January 18, 2013, we had an interest rate of 2.1% on our new revolving credit facility as compared to an interest rate of 7.0% under our old credit facility.

Income Tax Expense. Our effective tax rate increased to 30.0% for the thirty-nine weeks ended September 23, 2012 from 28.4% for the thirty-nine weeks ended September 25, 2011. The increase in the effective tax rate for the thirty-nine weeks ended September 23, 2012 is primarily attributable to lower FICA tip tax credits as a percentage of pre-tax income. The effective tax rates differ from the statutory rate of 34.0% primarily due to tax credits attributable to FICA taxes paid on employee tips.

Net Income. As a result of the foregoing, net income decreased \$0.2 million to \$2.9 million for the thirty-nine weeks ended September 23, 2012 from \$3.1 million for the thirty-nine weeks ended September 25, 2011. We had net income available to common stockholders of \$731,000 for the thirty-nine weeks ended September 23, 2012 as compared to net income available to common stockholders of \$37,000 in the comparable period in 2011.

### ***Year Ended December 25, 2011 Compared to Year Ended December 26, 2010***

Revenue. Revenue increased \$35.7 million, or 37.6%, to \$130.6 million in 2011 from \$94.9 million in 2010. This increase was driven by \$33.3 million in additional revenue related to an additional 387 operating weeks provided by the eight new restaurants opened in 2011 and the full year of operations of the six restaurants opened in 2010. Additionally, during this period, comparable restaurant sales increased 3.1% over the same period the prior year. Of this 3.1% increase, 1.1% of the increase resulted from an increase in average weekly customers and 2.0% of the increase resulted from an increase in our average check. The mix of our revenue attributed to food, bar and merchandise sales remained consistent at approximately 79.3%, 19.7% and 1.1% of total revenue for 2011, respectively.

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**Cost of Sales.** Cost of sales increased \$10.5 million, or 41.0%, to \$36.1 million in fiscal 2011, from \$25.6 million in fiscal 2010. As a percentage of revenue, cost of sales increased to 27.7% in 2011 compared to 27.0% in 2010. The increase in cost of sales as a percentage of revenue primarily resulted from our increase in food costs during 2011 as a result of significant price increases in certain of our key products such as produce, dairy and cheese.

**Labor Costs.** Labor costs increased \$11.1 million, or 36.5%, to \$41.5 million in 2011, from \$30.4 million in 2010. This increase was a result of an additional \$11.4 million of labor costs incurred with respect to eight new restaurants opened during 2011 and the full year of operations of the six restaurants opened in 2010, as well as increases in support staff at our existing restaurants. As a percentage of revenue, labor costs decreased to 31.8% in 2011 from 32.0% in 2010, primarily as a result of improved labor efficiency in our established restaurants, partially offset by increased training and staffing levels at our new restaurants.

**Operating Costs.** Operating costs increased \$5.0 million, or 35.0%, to \$19.3 million in 2011, from \$14.3 million in 2010. This increase was primarily due to increases in costs with respect to eight new restaurants opened during 2011 and the full year of operations of the six restaurants opened in 2010. As a percentage of revenue, operating costs decreased to 14.8% in 2011 compared to 15.1% in 2010 as a result of operating leverage.

**Occupancy Costs.** Occupancy costs increased \$1.9 million, or 33.3%, to \$7.6 million in 2011, from \$5.7 million in 2010. This increase resulted from eight new restaurants opened in 2011 and the full year of operations of the six new restaurants opened in 2010. As a percentage of revenue, occupancy costs decreased to 5.8% in 2011 as compared to 6.0% in 2010 as a result of operating leverage.

**General and Administrative Expenses.** General and administrative expenses increased \$2.2 million, or 41.5%, to \$7.5 million in 2011 from \$5.3 million for 2010. This increase was driven primarily by a one-time cash bonus totaling \$1.0 million paid to members of management in May 2011 in conjunction with entering into our old credit facility and costs associated with additional employees as we continue to strengthen our infrastructure for future growth. As a percentage of revenue, general and administrative expenses increased to 5.7% in 2011 from 5.6% in 2010.

**Settlement with Former Director.** Settlement with a former director was \$0.2 million in 2011. We paid this one-time settlement fee in June 2011. See "Certain Relationships and Related Party Transactions—Settlement Agreement."

**Marketing Costs.** As a percentage of revenue, marketing costs increased from 0.7% to 0.8%. Our marketing costs in a particular period are generally targeted not to exceed the period's proportionate amount of our marketing budget of 0.8% of sales.

**Restaurant Pre-opening Costs.** Restaurant pre-opening costs increased by \$1.4 million, or 70.0%, to \$3.4 million in 2011 from \$2.0 million in 2010. The increase resulted primarily from opening eight new restaurants in 2011, as compared to six new restaurants in 2010. The increase in 2011 was also due in part to the increase in restaurant pre-opening costs associated with opening restaurants outside of Texas, which resulted in increases in training and travel expenses and the incurrence of expenses for management relocation and public relations services.

**Depreciation and Amortization.** Depreciation and amortization increased \$1.7 million, or 63.0%, from \$2.7 million to \$4.4 million, due to an increase in equipment and leasehold improvements with respect to eight new restaurants opened during 2011 and the full year of operations of the six restaurants opened in 2010. As a percentage of revenue, depreciation and amortization expenses increased to 3.4% in 2011, as compared to 2.9% in 2010.

**Interest Expense.** Interest expense increased \$0.8 million, or 22.2%, to \$4.4 million in 2011 from \$3.6 million in 2010. The increase was due to greater average outstanding borrowings offset by a reduction in the average effective interest rate under our credit facilities during 2011, as compared to 2010.

**Income Tax Expense.** Income tax expense increased \$0.2 million, or 14.2%, to \$1.6 million in 2011 from \$1.4 million in 2010. For the year ended December 25, 2011, the effective tax rate was 32.1% as compared to 30.3% for the year ended December 26, 2010. The effective tax rate differs from the statutory rate of 34.0% primarily due to tax credits attributable to payroll taxes on employee tips.

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Net Income. As a result of the foregoing, net income increased \$0.2 million, to \$3.5 million for fiscal year 2011 from \$3.3 million for fiscal year 2010. Net income available to common stockholders increased \$2.4 million to \$41,000 for fiscal year 2011 from \$(2.3) million for fiscal year 2010. This increase in net income available to common stockholders resulted from the decrease in undistributed earnings allocated to participating interest, which included the original issuance price of the series X preferred stock and the annualized return.

### **Year Ended December 26, 2010 Compared to Year Ended December 27, 2009**

Revenue. Revenue increased \$25.5 million, or 36.7%, to \$94.9 million in 2010, from \$69.4 million in 2009. This increase was driven by \$25.1 million in additional revenue related to an additional 283 operating weeks provided by the six new restaurants opened in 2010 and the full year of operations of the five new restaurants opened in 2009. In addition, comparable store sales for 2010 increased 0.7% as compared to 2009. Our revenue mix attributed to food, bar and merchandise sales remained at approximately 79.1%, 19.7% and 1.2% of total revenue for 2010, respectively.

Cost of Sales. Cost of sales increased \$7.4 million, or 40.7%, to \$25.6 million in 2010, from \$18.2 million in 2009. As a percentage of revenue, cost of sales increased to 27.0% in 2010, from 26.2% in 2009. This percentage increase was primarily a result of an increase in dairy, cheese and produce costs. Beverage and merchandise costs remained flat.

Labor Costs. Labor costs increased \$9.2 million, or 43.4%, to \$30.4 million in 2010, from \$21.2 million in 2009. This increase was primarily a result of an additional \$9.3 million of labor costs incurred with respect to six new restaurants opened during 2010 and the full year of operations of the five restaurants opened in 2009. As a percentage of revenue, labor costs increased to 32.0% in fiscal 2010, from 30.5% in the same period in 2009, primarily as a result of increased training and staffing levels at our new restaurants, partially offset by improved labor efficiency in our established restaurants.

Operating Costs. Operating costs increased \$3.8 million, or 36.2%, to \$14.3 million in 2010, from \$10.5 million in 2009. As a percentage of revenue, operating costs remained flat at 15.1%.

Occupancy Costs. Occupancy costs increased \$1.4 million, or 32.6%, to \$5.7 million in 2010, from \$4.3 million in 2009. This increase resulted from six new restaurants opened in 2010 and the full year of operations of the five new restaurants opened in 2009. As a percentage of revenue, occupancy costs decreased to 6.0% in 2010, from 6.2% in 2009 as a result of improved operating leverage.

General and Administrative Expenses. General and administrative expenses increased \$0.7 million, or 15.2%, to \$5.3 million for 2010, as compared to \$4.6 million for 2009. This increase was primarily the result of hiring additional management to support new restaurants. As a percentage of revenue, general and administrative expenses decreased to 5.6% in 2010, from 6.7% in 2009, due to improved operating leverage.

Marketing Costs. As a percentage of revenue, marketing costs decreased to 0.7% in 2010 from 0.8% in 2009. Marketing costs remained relatively flat as our marketing budget is generally targeted not to exceed the period's proportionate amount of our marketing budget of 0.8% of sales.

Restaurant Pre-opening Costs. Restaurant pre-opening costs increased by \$0.3 million, or 17.6%, to \$2.0 million in 2010, from \$1.7 million in 2009. The increase in restaurant pre-opening costs was due to the impact of opening six new restaurants in 2010, as compared to five new restaurants opened in 2009.

Depreciation and Amortization. Depreciation and amortization increased \$1.2 million, or 80.0%, to \$2.7 million in 2010, as compared to \$1.5 million in 2009. As a percentage of revenue, depreciation and amortization expenses increased to 2.9% in 2010 from 2.2% in 2009. This percentage increase primarily resulted from additional depreciation associated with new equipment and leasehold improvements associated with our new restaurants.

Interest Expense. Interest expense increased \$0.5 million, or 16.1%, to \$3.6 million in 2010, from \$3.1 million in 2009. The increase was due to higher average outstanding balances under our credit facilities. See "Description of Indebtedness" for additional information regarding our credit facilities.

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**Income Tax Expense.** Income tax expense increased \$0.3 million to \$1.4 million in 2010, from \$1.1 million in 2009. For the year ended December 26, 2010, the effective tax rate was 30.3% as compared to 28.9% for the year ended December 27, 2009. This increase is primarily related to a change in tax rates at the state level as we opened additional restaurants outside of Texas. The effective tax rate differs from the statutory rate of 34.0% primarily due to tax credits attributable to payroll taxes on employee tips.

**Net Income.** As a result of the foregoing, net income increased 22.2%, or \$0.6 million, to \$3.3 million for fiscal year 2010 from \$2.7 million for fiscal year 2009. We had a net loss available to common stockholders of \$2.3 million for fiscal year 2010 as compared to net income available to common stockholders of \$33,000 for fiscal year 2009. The decrease in net income available to common stockholders resulted from the increase in undistributed earnings allocated to participating interests in fiscal 2010 as a result of the issuance of the series X preferred stock and the 20.0% annualized return on the series X preferred stock.

### **Liquidity**

Our principal sources of cash are net cash provided by operating activities, which includes tenant improvement allowances from our landlords, and borrowings under our credit facilities. During fiscal year 2011 and the nine months ended September 23, 2012, we utilized borrowings under our old credit facility, which we entered into on May 24, 2011. On March 21, 2012, we entered into a credit facility amendment to increase the available amount under our old credit facility from \$67.5 million to \$92.5 million. On April 6, 2012, we used approximately \$22.5 million of cash and cash equivalents obtained from the increased credit facility to repurchase shares of our common stock, series A preferred stock, series B preferred stock, and series X preferred stock. On July 27, 2012, we closed our IPO of 6,708,332 shares of common stock at \$13.00 per share and received net proceeds of approximately \$78.1 million (after offering expenses). These net proceeds and additional Company funds were used to repay approximately \$79.4 million of our outstanding debt under our old credit facility leaving an outstanding balance of approximately \$5.0 million under the Term A Loan of our old credit facility. On November 30, 2012, we entered into our new revolving credit facility and borrowed \$5.0 million thereunder to repay the debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility.

Our need for capital resources is driven by our restaurant expansion plans, ongoing maintenance of our restaurants, investment in our corporate and information technology infrastructure, obligations under our operating leases and interest payments on our debt. Based on our current growth plans, we believe our expected cash flows from operations, expected tenant improvement allowances and available borrowings under our new revolving credit facility will be sufficient to finance our planned capital expenditures and other operating activities for the next twelve months.

Consistent with many other restaurant and retail chain store operations, we use operating lease arrangements for our restaurants. We believe that these operating lease arrangements provide appropriate leverage of our capital structure in a financially efficient manner. We have entered into operating leases with certain related parties with respect to six of our restaurants and our corporate headquarters. See "Certain Relationships and Related Party Transactions" for additional information about these operating leases. Currently, operating lease obligations are not reflected as indebtedness on our consolidated balance sheet.

Our liquidity may be adversely affected by a number of factors, including a decrease in customer traffic or average check per customer due to changes in economic conditions, as described elsewhere in this prospectus under the heading "Risk Factors."

[Table of Contents](#)**Cash Flows for Thirty-Nine Weeks Ended September 25, 2011 and September 23, 2012**

The following table summarizes the statement of cash flows for the thirteen weeks ended September 25, 2011 and September 23, 2012:

	SEPTEMBER 25, 2011	SEPTEMBER 23, 2012
	(In thousands)	
Cash flows provided by operating activities	\$ 14,967	\$ 15,211
Cash flows used in investing activities	(15,575)	(20,437)
Cash flows provided by financing activities	915	5,960
Net increase in cash and cash equivalents	307	734
Cash and cash equivalents at beginning of period	3,337	2,827
Cash and cash equivalents at end of period	<u>\$ 3,644</u>	<u>\$ 3,561</u>

**Operating Activities.** Net cash provided by operating activities increased \$0.2 million to \$15.2 million for the thirty-nine weeks ended September 23, 2012, from \$15.0 million for the thirty-nine weeks ended September 25, 2011. Our business is almost exclusively a cash business. Almost all of our receipts come in the form of cash and cash equivalents and a large majority of our expenditures are paid within a 30 day period. The increase in net cash provided by operating activities during the thirty-nine weeks ended September 23, 2012 compared to the same period in 2011 was primarily due to an increase of \$1.5 million in depreciation expense as a result of more restaurants in operation and a \$1.6 million write off of loan origination fees associated with the pay down of long term debt. This increase was partially offset by a decrease in net income of \$0.3 million and a decrease of \$2.2 million in net lease incentives.

**Investing Activities.** Net cash used in investing activities increased \$4.8 million to \$20.4 million for the thirty-nine weeks ended September 23, 2012, from \$15.6 million for the thirty-nine weeks ended September 25, 2011. This increase was primarily the result of an increase in capital expenditures of \$4.6 million for the thirty-nine weeks ended September 23, 2012. These expenditures were primarily related to the construction of our seven new restaurants that opened during the thirty-nine weeks ended September 23, 2012, as well as expenditures related to two additional unopened restaurants currently under construction.

**Financing Activities.** Net cash provided by financing activities was \$6.0 million for the thirty-nine weeks ended September 23, 2012, compared to \$0.9 million of cash provided in the thirty-nine weeks ended September 25, 2011. On March 21, 2012, we entered into a credit facility amendment. In connection with the credit facility amendment, we borrowed an additional \$25.0 million under our Term A Loan facility. We used the proceeds to (1) repurchase approximately \$22.5 million of our common stock, series A preferred stock, series B preferred stock and series X preferred stock on April 6, 2012, (2) pay a \$2.0 million termination fee to terminate the advisory agreement with our Sponsor and (3) pay approximately \$0.6 million of transaction costs related to the credit facility amendment and the repurchase of shares of our common and preferred stock. During the thirty-nine weeks ended September 23, 2012, we also borrowed \$4.5 million under our delayed draw Term B Loan. We used these borrowings to fund new restaurant capital expenditures and to repay \$2.3 million outstanding under our revolving credit facility. On July 27, 2012, we closed our IPO of 6,708,332 shares of common stock at \$13.00 per share and received net proceeds of approximately \$78.1 million (after offering expenses). These net proceeds and additional Company funds were used to repay approximately \$79.4 million of our outstanding debt leaving an outstanding balance of approximately \$5.0 million under our old credit facility. On November 30, 2012, we entered into our new revolving credit facility and borrowed \$5.0 million thereunder to repay all the debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility.

As of September 23, 2012, we had no financing transactions, arrangements or other relationships with any unconsolidated entities or related parties. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

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### Cash Flows For Year Ended December 27, 2009, Year Ended December 26, 2010 and Year Ended December 25, 2011

The following table summarizes the statement of cash flows for the years ended December 27, 2009, December 26, 2010 and December 25, 2011:

	FISCAL YEAR ENDED		
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011
Cash flows provided by operating activities	\$ 6,292	\$ 11,752	\$ 17,203
Cash flows used in investing activities	(15,588)	(16,646)	(20,682)
Cash flows provided by financing activities	9,750	6,169	2,969
Net increase in cash and cash equivalents	454	1,275	(510)
Cash and cash equivalents at beginning of period	1,608	2,062	3,337
Cash and cash equivalents at end of period	\$ 2,062	\$ 3,337	\$ 2,827

**Operating Activities.** Net cash provided by operating activities was \$17.2 million in 2011, compared to \$11.8 million in 2010 and \$6.3 million in 2009. The increase in net cash provided by operating activities in 2011, as compared to 2010 was \$5.4 million. This increase was primarily due to \$1.7 million increase in lease incentives, and an increase in accrued liabilities of \$2.0 million as compared to the prior year and also higher non-cash costs, such as depreciation and amortization. The increase in net cash provided by operating activities in 2010, as compared to 2009 was \$5.5 million. This increase was primarily due to a \$2.8 million increase in lease incentives, as compared to prior year and also higher non-cash costs, such as depreciation and amortization and deferred income taxes.

**Investing Activities.** Net cash used in investing activities was \$20.7 million in 2011, \$16.6 million in 2010 and \$15.6 million in 2009. We used cash primarily to purchase property and equipment and to make leasehold improvements related to our restaurant expansion plans. During 2009, we used \$3.8 million to make the final contingent purchase price payment for Chuy's Arbor Trails location. For additional information, see "Certain Relationships and Related Party Transactions—Purchase of Arbor Trails Restaurant." The fluctuations in net cash used in investing activities for the periods presented is directly related to the number of new restaurants opened and in development during each period. In fiscal 2011, we opened eight new restaurants and, in fiscal years 2010 and 2009, opened six and five restaurants, respectively.

**Financing Activities.** Net cash provided by financing activities was \$3.0 million in 2011, \$6.2 million in 2010 and \$9.8 million in 2009. On May 24, 2011, we replaced our \$20.0 million credit facility with Wells Fargo Capital Finance, Inc. ("Wells Fargo Credit Facility") and \$10.0 million credit facility with HBK Investments L.P. ("HBK Credit Facility") with a \$67.5 million senior secured credit facility (the "old credit facility") with GCI Capital Markets, General Electric Capital Corporation and a syndicate of other financial institutions. Among other things, we used the proceeds from our old credit facility to repay the Wells Fargo Credit Facility and the HBK Credit Facility, to pay a \$19.0 million dividend to our stockholders and to pay a \$1.0 million special one-time cash bonus to certain members of our management. For more information about our credit facilities, see "Description of Indebtedness." Net cash provided by financing activities in 2010 was primarily the result of \$5.0 million in proceeds from the sale of our series X preferred stock in May 2010 and \$0.4 million in proceeds from the sale of our common stock in December 2010 and \$0.8 million in borrowings under our long-term debt facilities. Net cash provided by financing in 2010 decreased, as compared to 2009 due to a substantial reduction in our borrowings under our prior credit facilities, partially offset by the increase in capital contribution from the sale of our series X preferred stock and common stock in 2010. For additional information about the sales of our securities during 2010, see "Certain Relationships and Related Party Transactions—2010 Stock Sale." Net cash provided by financing activities in 2009 was primarily the result of borrowings, net of payments, of \$9.5 million under the Wells Fargo Credit Facility.



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### **Capital Resources**

*Long-Term Capital Requirements.* Our capital requirements are primarily dependent upon the pace of our growth plan and resulting new restaurants. Our growth plan is dependent upon many factors, including economic conditions, real estate markets, restaurant locations and the nature of our lease agreements. Our capital expenditure outlays are also dependent on costs for maintenance and capacity additions in our existing restaurants as well as information technology and other general corporate capital expenditures.

The capital resources required for a new restaurant depend on whether the restaurant is a ground-up construction or a conversion. We estimate that each ground-up restaurant will require a total cash investment of \$1.7 million to \$2.5 million (net of estimated tenant improvement allowances of between zero and \$0.8 million). We estimate that each conversion will require a total cash investment of \$2.0 million to \$2.2 million. In addition to the cost of the conversion or ground-up buildout, we expect to spend approximately \$350,000 to \$400,000 per restaurant for restaurant pre-opening costs. We target a cash-on-cash return beginning in the third operating year of 40.0%, and a sales to investment ratio of 2:1 for our new restaurants. On average, returns on units opened since 2001 have exceeded these target returns in the second year of operations.

We expect that our capital expenditure outlays for 2012 to be approximately \$20.0 million, net of agreed upon tenant improvement allowances and excluding approximately \$3.6 million of restaurant pre-opening costs for new restaurants that are not capitalized. Of the \$3.6 million in restaurant pre-opening costs that are not capitalized, we spent \$2.9 million in the thirty-nine weeks ended September 23, 2012. These capital expenditure estimates are based on average new restaurant capital expenditures of \$2.1 million each for the opening of eight new restaurants during 2012 and the construction of two new restaurants, which are scheduled to open in 2013 as well as \$2.0 million to improve our existing restaurants and for general corporate purposes.

For 2013, we currently estimate capital expenditure outlays will range between \$19.1 million and \$21.2 million, net of agreed upon tenant improvement allowances and excluding approximately \$3.3 million to \$3.7 million of restaurant pre-opening costs for new restaurants that are not capitalized. These capital expenditure estimates are based on average new restaurant capital expenditures of \$2.1 million each for the opening of eight to nine new restaurants as well as \$2.3 million to improve our existing restaurants and for general corporate purposes.

Based on our growth plans, we believe our combined expected cash flows from operations, available borrowings under our new revolving credit facility and expected tenant improvement allowances will be sufficient to finance our planned capital expenditures and other operating activities in fiscal 2013.

*Short-Term Capital Requirements.* Our operations have not required significant working capital and, like many restaurant companies, we operate with negative working capital. Restaurant sales are primarily paid for in cash or by credit card, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, therefore reducing the need for incremental working capital to support growth. We had a net working capital deficit of \$3.5 million at September 23, 2012, compared to a net working capital deficit of \$4.3 million at December 25, 2011.

On November 30, 2012, we entered into a \$25.0 million secured revolving credit facility (the "new revolving credit facility") with our subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender, and lender. Our new revolving credit facility also provides for letters of credit and swingline loans each in an amount equal to the lesser of \$5.0 million or the available borrowings under our new revolving credit facility. On the same date, we borrowed \$5.0 million under our new revolving credit facility to repay the approximately \$5.0 million of debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. In connection with the repayment of the approximately \$5.0 million of debt outstanding under our old credit facility, we terminated our old credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility. Our new revolving credit facility will mature on November 30, 2017, unless we exercise our option to voluntarily reduce all of the commitment before the maturity date.

Under our new revolving credit facility, we may request to increase the size of our new revolving credit facility by up to \$25.0 million, in minimum principal amounts of \$5.0 million or the remaining amount of the \$25.0 million if

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less than \$5.0 million (the "Incremental Revolving Loan"), which Incremental Revolving Loan will be effective after 10 days written notice to the agent. In the event that any of the lenders fund the Incremental Revolving Loan, the terms and provisions of the Incremental Revolving Loan will be the same as under our new revolving credit facility.

All borrowings under the new revolving credit facility except for swingline borrowings will bear interest at a variable rate based, at our election, on (i) the base rate (which is the highest of the prime rate, federal funds rate plus 0.50% or one month LIBOR) plus 1%, or (ii) LIBOR, plus, in either case, an applicable margin based on our consolidated total lease adjusted leverage ratio. Our new revolving credit facility also provides for commitment fees that accrue on the daily unused commitment of the lender at the applicable margin, which varies based on our consolidated total lease adjusted leverage ratio. Swingline borrowings will bear interest at a variable rate based on the base rate plus an applicable margin based on our consolidated total lease adjusted leverage ratio. Our consolidated total lease adjusted leverage ratio is calculated by adding our indebtedness plus the product of our rental expense for the preceding four quarters multiplied by eight divided by our EBITDAR, as calculated under our new revolving credit facility, for the preceding four quarters. We have elected a variable rate of interest based on LIBOR. As of January 18, 2013, our interest rate was 2.1%.

Our new revolving credit facility requires us to comply with certain financial tests, including:

- a maximum consolidated total lease adjusted leverage ratio as of the last day of any quarter until December 28, 2014 of 4.00:1.00 and as of the last day of any quarter from March 29, 2015 until maturity of 3.50:1.00; and
- a minimum consolidated fixed charge ratio as of the last day of any quarter of 2.00:1.00.

As of January 18, 2013, we were in compliance with all covenants under our new revolving credit facility. Based on our capital expenditure plans, contractual commitments and cash flow from operations, we expect to be able to comply with these covenants for the duration of the loan.

On May 24, 2011, we entered into a \$67.5 million senior credit facility (the "old credit facility") with GCI Capital Markets LLC, as administrative agent and sole bookrunner, General Electric Capital Corporation, as syndication agent, and a syndicate of financial institutions and other entities. The old credit facility provided for (a) a revolving credit facility, (b) a Term A Loan, (c) a delayed draw Term B Loan, and (d) an incremental term loan. Except for the incremental term loan, all borrowings under our old credit facility bore interest at a variable rate based on the prime, federal funds or LIBOR rate plus an applicable margin based on our total leverage ratio. Interest was due at the end of each month if we selected to pay interest based on the Index Rate or at the end of each LIBOR period if we selected to pay interest based on LIBOR. As of September 23, 2012, we had elected a variable rate of interest based on LIBOR.

On March 21, 2012, we entered into a credit facility amendment to increase the available amount under our old credit facility from \$67.5 million to \$92.5 million.

Our old credit facility, as amended, required us to comply with certain financial tests, including:

- a maximum capital expenditures limitation per year in an aggregate amount of \$22.0 million in 2012, \$24.9 million in 2013, \$27.7 million in 2014, \$28.1 million in 2015 and \$13.3 million for the remaining term of the loan in 2016; provided, however, that any unutilized portion of such capital expenditures, may be utilized in the immediately succeeding year limited to 50% of the total maximum expenditure amount of the previous year;
- a minimum fixed charge coverage ratio for the four quarters then ended on or about September 30, 2012 of not less than 2.10:1.00, which ratio varies from 2.10:1.00 to 2.00:1.00 over the remaining term of the loan;
- a maximum total leverage ratio for the four quarters then ended on or about September 30, 2012 of not more than 2.75:1.00;
- a maximum lease adjusted leverage ratio for the four quarters then ended on or about September 30, 2012 of not more than 6.20:1.00, which ratio varies from 6.20:1.00 to 5.30:1.00 over the term of the loan.

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As of September 23, 2012, we were in compliance with all covenants under our old credit facility.

As of September 23, 2012, we had borrowings under our old credit facility of approximately \$5.0 million. In connection with the completion of our IPO, we repaid \$79.4 million of indebtedness. Due to the repayment in connection with our IPO, our total leverage ratio dropped below 2.0 to 1.0, which decreased our interest rate to 7% under the old credit facility effective October 22, 2012. On November 30, 2012, we entered into our new revolving credit facility and borrowed \$5.0 million thereunder to repay all the debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility.

### **Off-Balance Sheet Arrangements**

As part of our on-going business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of September 23, 2012, we are not involved in any variable interest entities transactions and do not otherwise have any off-balance sheet arrangements.

### **Commitments and Contingencies**

The following table summarizes contractual obligations at December 25, 2011 on an actual basis.

	PAYMENT DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
<b>Contractual Obligations:</b>					
Long-Term Debt Obligations <sup>(1)</sup>	\$ 76,129,247	\$ 5,400,935	\$ 11,040,450	\$ 59,687,862	\$ —
Operating Lease Obligations <sup>(2)</sup>	95,408,935	7,414,939	15,395,634	15,896,138	56,702,225
Purchase Obligations <sup>(3)</sup>	9,584,613	9,584,613	—	—	—
<b>Total</b>	<b>\$ 181,122,795</b>	<b>\$ 22,400,487</b>	<b>\$ 26,436,084</b>	<b>\$ 75,584,000</b>	<b>\$ 56,702,225</b>

<sup>(1)</sup> Reflects principal and interest payments on term loan and revolver balances and fees on unused revolver commitments under our old credit facility. In March 2012, we entered into an amendment to our old credit facility, providing additional borrowings on the Term A Loan of \$25.0 million. Long-term debt obligations (above) do not reflect the obligations under the amendment to our old credit facility that we entered into in March 2012 or our obligations under our new revolving credit facility that we entered into in November 2012. We used the net proceeds from our IPO and additional Company funds to repay approximately \$79.4 million of the Company's loans outstanding under the Company's old credit facility, which included a \$40.7 million mandatory prepayment in connection with our IPO. On November 30, 2012, we entered into our new revolving credit facility and borrowed \$5.0 million thereunder to repay approximately \$5.0 million of debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. Following the repayments, we had no outstanding debt under and terminated our old credit facility.

<sup>(2)</sup> Reflects the aggregate minimum lease payments for our restaurant operations and corporate office. Operating lease obligations excludes contingent rent payments that may be due under certain of our leases based on a percentage of sales.

<sup>(3)</sup> Includes contractual purchase commitments for the purchase of goods related to system restaurant operations and commitments for construction of new restaurants.

### **Critical Accounting Policies**

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note 1 to our Consolidated Financial Statements. Critical accounting estimates are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. The following is a description of what we consider to be our most significant critical accounting policies.

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*Leases.* We currently lease all of our restaurant locations. We evaluate each lease to determine its appropriate classification as an operating or capital lease for financial reporting purposes. All of our existing leases are classified as operating leases. We record the minimum lease payments for our operating leases on a straight-line basis over the lease term, including option periods which in the judgment of management are reasonably assured of renewal. The lease term commences on the date that we obtain control of the property, which is normally when the property is ready for tenant improvements. Contingent rent expense is based on either a percentage of restaurant sales or as a percentage of restaurant sales in excess of a defined amount. We use sales trends to estimate achievement of these defined amounts. We accrue contingent rent expense based on these estimated sales. Our lease costs will change based on the lease terms of our lease renewals as well as leases that we enter into with respect to our new restaurants.

*Impairment of Long-Lived Assets.* We review long-lived assets, such as property and equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. The other factors and circumstances include changes in the economic environment, changes in the manner in which assets are used, unfavorable changes in legal factors or business climate, incurring excess costs in construction of the asset, overall restaurant operating performance and projections for future performance. These estimates result in a wide range of variability on a year to year basis due to the nature of the criteria. Negative restaurant-level cash flow over the previous 12-month period is considered a potential impairment indicator. In such situations, we evaluate future undiscounted cash flow projections in conjunction with qualitative factors and future operating plans. Our impairment assessment process requires the use of estimates and assumptions regarding future undiscounted cash flows and operating outcomes, which are based upon a significant degree of management's judgment.

Based on this analysis, if the carrying amount of the assets is less than the estimated future cash flows, an impairment charge is recognized. In performing our impairment testing, we forecast our future undiscounted cash flows by looking at recent restaurant level performance, restaurant level operating plans, sales trends, and cost trends for cost of sales, labor and operating expenses. We believe that this combination of information gives us a fair benchmark to estimate future undiscounted cash flows. We compare this cash flow forecast to the asset's carrying value at the restaurant. If the predicted future undiscounted cash flow does not exceed the long-lived asset's carrying value, we impair the assets related to that restaurant on a pro-rata basis of the relative carrying values of the long-lived assets.

Continued economic deterioration within our respective markets may adversely impact consumer discretionary spending and may result in lower restaurant sales. Unfavorable fluctuations in our commodity costs, supply costs and labor rates, which may or may not be within our control, may also impact our operating margins. Any of these factors could as a result affect the estimates used in our impairment analysis and require additional impairment tests and charges to earnings. We continue to assess the performance of our restaurants and monitor the need for future impairment. There can be no assurance that future impairment tests will not result in additional charges to earnings.

*Goodwill and Other Intangible Assets.* Goodwill and indefinite life intangible assets are not amortized but are tested annually on the first day of the fourth quarter, or more frequently if events or changes in circumstances indicate that the assets might be impaired. In assessing the recoverability of goodwill and indefinite life intangible assets, the Company must make assumptions about the estimated future cash flows and other factors to determine the fair value of these assets.

For goodwill, the impairment evaluation includes a comparison of the carrying value of the reporting unit (including goodwill) to that reporting unit's fair value. If the operating unit's estimated fair value exceeds the reporting unit's carrying value, no impairment of goodwill exists. If the fair value of the unit does not exceed the unit's carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference.

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Similarly, the impairment evaluation for indefinite life intangible assets includes a comparison of the asset's carrying value to the asset's fair value. Fair value is estimated primarily using future discounted cash flow projections in conjunction with qualitative factors and future operating plans. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The Company also annually evaluates intangible assets that are not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

At December 25, 2011, none of the Company's intangible assets or goodwill were impaired.

*Income Tax.* Income tax provisions consist of federal and state taxes currently due, plus deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized when management considers the realization of those assets in future periods to be more likely than not. Future taxable income, adjustments in temporary difference, available carryforward periods and changes in tax laws could affect these estimates.

*Stock-Based Compensation.* Compensation cost for stock options granted is determined based on the fair value of the option at the date of grant and is recognized, net of estimated forfeitures, over the award's requisite service period on a straight-line basis. We use the Black-Scholes valuation model to determine the fair value of our stock options, which requires assumptions to be made regarding our stock price volatility, the expected life of the award, risk-free interest rate, and expected dividend rates. The volatility assumptions were derived from the volatilities of comparable public restaurant companies. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there is a difference between the assumptions used in determining stock-based compensation expense and the actual factors which become known over time, we may change the input factors used in determining stock-based compensation costs for future grants. These changes, if any, may materially impact our results of operations in the period such changes are made. We expect to continue to grant stock options in the future, and to the extent that we do, our actual stock-based compensation expense recognized in future periods will likely increase.

One significant factor in determining the fair value of our options, when using the Black-Scholes option pricing model, is the fair value of the common stock underlying those stock options. We have been a private company with no active public market for our common stock. Therefore, the fair value of the common stock underlying our stock options was determined by our board of directors, which intended to grant all stock options with an exercise price per share not less than the per share fair value of our common stock underlying those options on the date of grant. We have determined the estimated per share fair value of our common stock on a quarterly basis using contemporaneous valuations by our board of directors based upon information available to it at the time of the valuations. The fair value of our common stock was based on an analysis of relevant metrics, including the following:

- the rights, privileges and preferences of our convertible preferred stock;
- our operating and financial performance;
- the hiring of key personnel;
- the risks inherent in the development and expansion of our restaurants;
- the fact that the option grants involve illiquid securities in a private company;
- the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company; and
- an estimated enterprise value determined by applying a consistent multiple to our earnings before interest, taxes, depreciation and amortization, or EBITDA.

In addition, our board of directors has obtained periodic contemporaneous valuation studies from an independent third-party valuation firm. In performing its valuation analysis, the valuation firm engaged in discussions with

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management, analyzed historical and forecasted financial statements and reviewed our corporate documents. In addition, these valuation studies were based on a number of assumptions, including industry, general economic, market and other conditions that could reasonably be evaluated at the time of the valuation. Third-party valuations were performed on each of December 31, 2010, June 30, 2011, September 30, 2011 and December 31, 2011 using generally accepted valuation methodologies.

Since June 27, 2010, we granted 54,596 options on January 1, 2011 at an exercise price of \$10.84, which was equal to the estimated fair value of our underlying common stock at that date. On April 10, 2012, we also issued options to purchase up to 48,938, 7,250 and 7,609 shares of common stock, to Jon Howie, our Chief Financial Officer, Ira Zecher, a member of our board of directors, and certain key employees, respectively, under the Amended and Restated 2006 Stock Option Plan. The options have an exercise price of \$13.54. Additionally, on September 4, 2012, we issued options to purchase up to 7,250 shares of common stock to each of our new board members, Starlette Johnson and Saed Mohseni, as well as options to purchase up to 10,000 shares to certain key employees under our 2012 Omnibus Equity Incentive Plan.

Based upon a price of \$22.73 per share, the closing price of our common stock on September 21, 2012, the aggregate intrinsic value of stock options outstanding as of September 23, 2012 was approximately \$18.4 million, of which approximately \$16.0 million related to vested stock options and approximately \$2.4 million related to unvested stock options.

### **Recent Pronouncements**

The JOBS Act permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable. For additional information about recent accounting pronouncements that apply to us, see Note 1 to our consolidated financial statements.

### **Inflation**

Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and other raw materials, labor, energy and other supplies and services. Substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be passed along to our restaurant customers. The impact of inflation on food, labor, energy and occupancy costs can significantly affect the profitability of our restaurant operations.

Many of our restaurant staff members are paid hourly rates related to the federal minimum wage. In fiscal 2007, Congress enacted an increase in the federal minimum wage implemented in two phases, beginning in fiscal 2007 and concluding in fiscal 2009. In addition, numerous state and local governments increased the minimum wage within their jurisdictions, with further state minimum wage increases going into effect in fiscal 2010. Certain operating costs, such as taxes, insurance and other outside services continue to increase with the general level of inflation or higher and may also be subject to other cost and supply fluctuations outside of our control.

While we have been able to partially offset inflation and other changes in the costs of key operating resources by gradually increasing prices for our menu items, more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our menu pricing flexibility. In addition, macroeconomic conditions could make additional menu price increases imprudent. There can be no assurance that all future cost increases can be offset by increased menu prices or that increased menu prices will be fully absorbed by our restaurant customers without any resulting changes in their visit frequencies or purchasing patterns. A majority of the leases for our restaurants provide for contingent rent obligations based on a percentage of revenue. As a result, rent expense will absorb a proportionate share of any menu price increases in our restaurants. There can be no assurance that we will continue to generate increases in comparable restaurant sales in amounts sufficient to offset inflationary or other cost pressures.

## **Quantitative and Qualitative Disclosures about Market Risk**

### ***Interest Rate Risk***

We are subject to interest rate risk in connection with our long-term indebtedness. Our principal interest rate exposure relates to loans outstanding under our new revolving credit facility that we entered into in November 2012. All outstanding indebtedness under our new revolving credit facility bears interest at a variable rate based on LIBOR. Each quarter point change in interest rates on the variable portion of indebtedness under our new revolving credit facility would result in a change of \$12,500 to our interest expense on an annual basis.

### ***Commodity Price Risk***

We are exposed to market price fluctuation in food product prices. Given the historical volatility of certain of our food product prices, including produce, chicken, beef and cheese, these fluctuations can materially impact our food and beverage costs. While we have taken steps to enter into long term agreements for some of the commodities used in our restaurant operations, there can be no assurance that future supplies and costs for such commodities will not fluctuate due to weather and other market conditions outside of our control.

Consequently, such commodities can be subject to unforeseen supply and cost fluctuations. Dairy costs can also fluctuate due to government regulation. Because we typically set our menu prices in advance of our food product prices, we cannot immediately take into account changing costs of food items. To the extent that we are unable to pass the increased costs on to our customers through price increases, our results of operations would be adversely affected. We do not use financial instruments to hedge our risk to market price fluctuations in our food product prices at this time.

## **Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 23, 2012. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

We have not engaged an independent registered accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements. Presently, we are not an accelerated filer, as such term is defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and therefore, our management is not presently required to perform an annual assessment of the effectiveness of our internal control over financial reporting. This requirement will first apply to our Annual Report on Form 10-K for the year ending December 29, 2013. Our independent public registered accounting firm will first be required to attest to the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for the first year we are no longer an "emerging growth company".

## BUSINESS

### Business Overview

Chuy's is a fast-growing, full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex Mex inspired food. We were founded in Austin, Texas in 1982 by Mike Young and John Zapp and, as of September 23, 2012, we operated 38 Chuy's restaurants across Texas, Tennessee, Kentucky, Alabama, Indiana, Georgia, Florida and Oklahoma, with an average unit volume of \$5.0 million for our 23 comparable restaurants for the twelve months ended September 23, 2012. Our restaurants have a common décor, but we believe each location is unique in format, offering an "unchained" look and feel, as expressed by our motto "If you've seen one Chuy's, you've seen one Chuy's!" We believe our restaurants have an upbeat, funky, eclectic, somewhat irreverent atmosphere while still maintaining a family-friendly environment. We are committed to providing value to our customers through offering generous portions of made-from-scratch, flavorful Mexican and Tex Mex inspired dishes. We believe our employees are a key element of our culture and sets the tone for a fun, family-friendly atmosphere with attentive service. We believe the Chuy's culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and our customers' restaurant experience.

We have grown the total number of Chuy's restaurants from eight locations as of December 30, 2007 to 40 locations as of January 18, 2013, representing a compound annual growth rate of 37.4%. We opened eight restaurants in 2012 and plan to open eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. From fiscal year 2007 to the twelve months ended September 23, 2012, our annual revenue increased from \$42.1 million to \$159.2 million and our Adjusted EBITDA increased from \$5.7 million to \$23.4 million, representing compounded annual growth rates of 32.3% and 34.6%, respectively. Over the same period, our net income (loss) increased from (\$0.9 million) to \$3.2 million. For fiscal year 2011, our net income was \$3.5 million and for the thirty-nine weeks ended September 23, 2012, our net income was \$2.9 million. For fiscal years 2007, 2008, 2009, 2010 and 2011, our annual revenue was \$42.1 million, \$51.9 million, \$69.4 million, \$94.9 million, and \$130.6 million, respectively, reflecting growth rates of 4.7%, 23.3%, 33.7%, 36.7% and 37.6%, respectively, as compared to the corresponding prior year. For fiscal years 2007, 2008, 2009, 2010 and 2011, our Adjusted EBITDA was \$5.7 million, \$7.3 million, \$10.3 million, \$13.4 million, and \$18.9 million, respectively, reflecting growth rates of 6.5%, 28.1%, 41.1%, 30.1% and 41.0%, respectively, as compared to the corresponding prior year. For a reconciliation of Adjusted EBITDA, a non-GAAP term, to net income, see footnote 4 to "—Summary Historical Financial and Operating Data." Our change in comparable restaurant sales has outperformed the KNAPP-TRACK™ index of casual dining restaurants for each of the last five years. In our quarterly period ended September 23, 2012, comparable restaurant sales increased 1.5% over the same period from the prior year. We believe the broad appeal of the Chuy's concept, historical unit economics and flexible real estate strategy enhance the portability of our concept and provide us opportunity for continued expansion.



Our core menu was established using recipes from family and friends of our founders, and has remained relatively unchanged over the years. We offer the same menu during lunch and dinner, which includes enchiladas, fajitas,



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tacos, burritos, combination platters and daily specials, complemented by a variety of appetizers, soups and salads. Each of our restaurants also offers a variety of homemade sauces, including the signature Hatch green chile and creamy jalapeño sauces, all of which we make from scratch daily in each restaurant. These sauces are a key element of our offering and provide our customers with an added ability to customize their orders. Our menu offers considerable value to our customers, with only three out of 49 menu items priced over \$10.00. We also offer a full-service bar in all of our restaurants providing our customers a wide variety of beverage offerings, featuring a selection of specialty cocktails including our signature on-the-rocks margaritas made with fresh, hand-squeezed lime juice and the Texas Martini, a made-to-order, hand-shaken cocktail served with jalapeño-stuffed olives. The bar represents an important aspect of our concept, where customers frequently gather prior to being seated. For the twelve months ended September 23, 2012, alcoholic beverages constituted 19.4% of our total restaurant sales.

We strive to create a unique and memorable customer experience at each of our locations. While the layout in each of our restaurants varies, we maintain distinguishable elements across our locations, including hand-carved, hand-painted wooden fish imported from Mexico, a variety of vibrant Mexican folk art, a "Nacho Car" that provides complimentary chips, salsa and chile con queso in the trunk of a classic car, vintage hubcaps hanging from the ceiling, colorful hand-made floor and wall tile and festive metal palm trees. Our restaurants range in size from 5,300 to 12,500 square feet, with seating for approximately 225 to 400 customers. Nearly all of our restaurants feature outdoor patios. We design our restaurants to have flexible seating arrangements that allows us to cater to families and parties of all sizes. Our brand strategy of having an "unchained" look and feel allows our restaurants to establish their own identity and provides us with a flexible real estate model. Our site selection process is focused on conversions of existing restaurants as well as new ground-up prototypes in select locations. Our restaurants are open for lunch and dinner seven days a week. We serve approximately 7,500 customers per location per week or 400,000 customers per location per year, on average, by providing high-quality, freshly prepared food at a competitive price point. We believe that many of Chuy's frequent customers visit one of our restaurants multiple times per week.

### **Our Business Strengths**

Over our 30-year operating history, we have developed and refined the following strengths:

*Fresh, Authentic Mexican and Tex Mex Inspired Cuisine*. Our goal is to provide unique, authentic Mexican and Tex Mex inspired food using only the freshest ingredients. We believe we serve authentic Mexican and Tex Mex inspired food based on our recipes, ingredients, cooking techniques and food pairings, which originated from our founders' friends and families from Mexico, New Mexico and Texas. Every day in each restaurant, we roast and hand pull whole chickens, hand roll fresh tortillas, squeeze fresh lime juice and prepare fresh guacamole from whole avocados. In addition, we make all nine to eleven of our homemade sauces daily using high-quality ingredients. We believe this commitment to made-from-scratch, freshly prepared cooking results in great tasting, high-quality food, a sense of pride among our restaurant employees and loyalty among our customers. Some of our kitchen managers travel to Hatch, New Mexico every summer to hand-select batches of our green chiles. We believe our commitment to serving high-quality food is also evidenced by us serving only Choice quality beef and fresh ingredients. We believe our servers and kitchen staff are highly proficient in executing the core menu and capable of satisfying large quantities of custom orders, as the majority of our orders are customized.

*Considerable Dining Value with Broad Customer Appeal*. We are committed to providing value to our customers through offering generous portions of flavorful Mexican and Tex Mex inspired dishes using fresh, high-quality ingredients. We believe our menu offers a considerable value proposition to our customers, with only three out of our 49 menu items priced over \$10.00. Further highlighting our value proposition, for the twelve months ended September 23, 2012, our average check was \$13.06. Through our training programs, we train our employees to make sure that each plate is prepared according to our presentation and recipe standards.

Although our core demographic is ages 21 to 44, we believe our restaurants appeal to a broad spectrum of customers and will continue to benefit from trends in consumers' preferences. We believe consumers are craving bold, spicy and flavorful foods, like those featured in our core offering. Additionally, we believe our brand appeals to a wide demographic and will continue to benefit from the growing demand for fresh, authentic Mexican and Tex Mex inspired food and a fun, festive dining experience. We believe we are also an attractive venue for families and other large parties, and consider many of our restaurants to be destination locations, drawing customers from as far as 30

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miles away. We locate our restaurants in high-traffic locations to attract primarily local patrons with limited reliance on business travelers.

*Upbeat Atmosphere Coupled with Irreverent Brand Helps Differentiate Concept*. As stated in our motto “If you’ve seen one Chuy’s, you’ve seen one Chuy’s!” each of our restaurants is uniquely designed. However, most share a few common elements—hand-carved, hand-painted wooden fish, vintage hubcaps hanging from the ceiling, colorful hand-made floor and wall tile, palm trees crafted from scrap metal and a variety of colorful Mexican folk art. Much of this décor, including all of the wooden fish and painted tiles, is sourced from vendors in Mexican villages that have partnered with us for decades. Additionally, virtually all restaurants feature a complimentary self-serve “Nacho Car,” a hollowed-out, customized classic car trunk filled with fresh chips, salsa, chile con queso and more.

We believe these signature elements, combined with attentive service from our friendly and energetic employees create an upbeat ambience with a funky, eclectic and somewhat irreverent atmosphere. Our restaurants feature a fun mix of rock and roll rather than traditional Mexican-style music, which we believe helps to provide an energetic customer experience. We also believe that each restaurant reflects the character and history of its individual community. Many of our restaurants have added unique, local elements such as a special wall of photos featuring customers with their friends, families and dogs. We believe this has allowed our customers to develop a strong sense of pride and ownership in their local Chuy’s.

*Deep Rooted and Inspiring Company Culture*. We believe the Chuy’s culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and restaurant experience. Since our founding in 1982, we believe we have developed close personal relationships with our customers, employees and vendors. We emphasize a fun, passionate and authentic culture and support active social responsibility and involvement in local communities. We regularly sponsor a variety of community events including our annual Chuy’s Children Giving to Children Parade, Chuy’s Hot to Trot 5K and other local charitable events. We believe our employees and customers share a unique energy and passion for our concept. We are proud of our annual employee turnover rate at comparable restaurants, which as of September 23, 2012, was 22.2% for managers and 69.4% for hourly employees and our goal of promoting 40% of restaurant-level managers from within, as well as our solid base of repeat customers.

In order to retain our unique culture as we grow, we invest significant time and capital into our training programs. We devote substantial resources to identifying, selecting and training our restaurant-level employees. We typically have ten in-store trainers at each existing location who provide both front- and back-of-the-house training on site as well as two training coordinators that lead new restaurant training. We also have an approximately 20-week training program for all of our restaurant managers, which consists of an average of 11 weeks of restaurant training and eight to nine weeks of “cultural” training, in which managers observe our established restaurants’ operations and customer interactions. We believe our focus on cultural training is a core aspect of our company and reinforces our commitment to the Chuy’s brand identity. In conjunction with our training activities, we hold “Culture Clubs” four times or more per year, as a means to fully impart the Chuy’s story through personal appearances by our founders Mike Young and John Zapp.

*Flexible Business Model with Industry Leading Unit Economics*. We have a long standing track record of consistently producing high average unit volumes relative to competing Mexican concepts, as well as established casual dining restaurants. For the twelve months ended September 23, 2012, our comparable restaurants generated average unit volumes of \$5.0 million, with our highest volume restaurant generating \$7.9 million and our lowest volume restaurant generating \$3.2 million. We maintain strong Restaurant-Level EBITDA margins at our comparable restaurants, which for the twelve months ended September 23, 2012 represented 21.2% of revenues. We have opened and operated restaurants in Texas, the Southeast and the Midwest and achieved attractive rates of return on our invested capital, providing a strong foundation for expansion in both new and existing markets. Under our investment model, our new restaurant openings have historically required a net cash investment of approximately \$1.8 million. For our new unit openings, we estimate that each ground-up buildout of our prototype will require a total cash investment of \$1.7 million to \$2.5 million (net of estimated tenant incentives of between zero and \$0.8 million). We estimate that each conversion will require a total cash investment of \$2.0 million to \$2.2 million. We target a cash-on-cash return beginning in the third operating year of 40.0%, and a sales to investment ratio of 2:1. On average, returns on new units opened since 2001 have exceeded these target returns in the second year of operations.

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*Experienced Management Team.* We are led by a management team with significant experience in all aspects of restaurant operations. Our senior management team has an average of approximately 29 years of restaurant experience and our 38 general managers, as of September 23, 2012, have an average tenure at Chuy's of approximately seven years. In 2007, we hired our CEO and President, Steve Hislop. Mr. Hislop is the former President of O'Charley's Restaurants, where he spent 19 years performing a variety of functions, including serving as Concept President and a member of the board of directors, and helped grow the business from 12 restaurants to a multi-concept company with 347 restaurants during his tenure. Since Mr. Hislop's arrival in 2007, we have accelerated our growth plan and opened 32 new restaurants, as of January 18, 2013, and entered seven new states.

### **Our Business Strategies**

*Pursue New Restaurant Development.* We plan to open new restaurants in both established and adjacent markets across Texas, the Southeast and the Midwest where we believe we can achieve high unit volumes and attractive unit level returns. We believe the broad appeal of the Chuy's concept, historical unit economics and flexible real estate strategy enhance the portability of our concept and provide us opportunity for continued expansion. Our new restaurant development will consist primarily of conversions of existing structures, with ground up construction of our prototype in select locations.

We have built a scalable infrastructure and have grown our restaurant base through a challenging economic environment. In 2009, we opened five new restaurants, including our first restaurant outside of Texas in Nashville, Tennessee, as well as our first small market restaurant in Waco, Texas. In 2010, we opened six new restaurants including three locations outside of Texas: Murfreesboro, Tennessee; Birmingham, Alabama; and Louisville, Kentucky. In 2011, we opened eight new restaurants, including our first restaurants in Indiana and Georgia. Each of these restaurants opened at high unit volumes with attractive returns and provides us a platform to continue our growth. Our restaurants opened since 2001 that have been in operations for more than two years have generated average cash-on-cash returns of greater than 40.0% in the second year of operations. We opened eight restaurants in 2012, including our first restaurants in Oklahoma and Florida, and plan to open an additional eight to nine restaurants in 2013, including one restaurant that opened on January 15, 2013 in San Antonio, Texas. From January 1, 2013 through the end of 2017, we expect to open a total of 59 to 64 new restaurants.

*Deliver Consistent Comparable Restaurant Sales Through Providing High-Quality Food and Service.* We believe we will be able to generate comparable restaurant sales growth by consistently providing an attractive price/value proposition for our customers with excellent service in an upbeat atmosphere. We remain focused on delivering freshly prepared, authentic, high-quality Mexican and Tex Mex inspired cuisine at a considerable value to our customers. Though the core menu will remain unchanged, we will continue to explore potential additions as well as limited time food and drink offerings. Additionally, we will continue to promote our brand and drive traffic through local marketing efforts and charity events such as the Chuy's Hot to Trot 5K and the Chuy's Children Giving to Children Parade, as well as our line of eclectic t-shirts.

Additionally, we prioritize customer service in our restaurants, and will continue to invest significantly in ongoing training of our employees. In addition to our new manager training program and at least quarterly "Culture Clubs," 20 to 24 of our trainers are dispatched to open new restaurants and ensure a solid foundation of customer service, food preparation and our cultured environment. We believe these initiatives will help enhance customer satisfaction, minimize wait times and help us serve our customers more efficiently during peak periods, which we believe is particularly important at our restaurants that operate at or near capacity.

*Leverage Our Infrastructure.* In preparation for our new restaurant development plan, we have made investments in our infrastructure over the past several years. We believe we now have the corporate and restaurant-level supervisory personnel in place to support our growth plan for the foreseeable future without significant additional investments in infrastructure. Therefore, we believe that as the restaurant base grows, our general and administrative costs will increase at a slower growth rate than our revenue. Additionally, we foresee relatively minimal increases in marketing spend as we enter new markets, as the majority of our marketing is done through non-traditional channels such as community events, charity sponsorships, social media and word-of-mouth from our devoted followers, as well as partnerships with local public relations firms.

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At September 23, 2012, we had approximately \$5.0 million of outstanding indebtedness. On November 30, 2012, we entered into a \$25.0 million secured revolving credit facility (the "new revolving credit facility") and borrowed \$5.0 million thereunder to repay all the debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility. See "Risk Factors" in this prospectus for risks associated with our ability to execute our growth strategy.

### **Real Estate**

As of the date of this prospectus, we leased 47 locations, of which 40 are free-standing restaurants and 7 are end-cap or in-line restaurants in Class A locations. Of these locations, 7 are scheduled to open by the end of 2013. End-cap restaurants are highly visible locations at one of the ends of a retail development whereas in-line restaurants are locations that are between multiple retail locations within a development. Class A locations are upscale properties with easily identifiable locations and convenient access that are surrounded by other upscale properties. Our restaurants range in size from approximately 5,300 to 12,500 square feet, averaging approximately 8,000 square feet with seating capacity for approximately 225 to 400 customers. Since the beginning of 2008 through January 18, 2013, we have opened 32 new restaurants. Since our inception in 1982, we have moved two locations and closed three locations and we have not moved or closed a location since 2004. All of our leases provide for base (fixed) rent, plus the majority provide for additional rent based on gross sales (as defined in each lease agreement) in excess of a stipulated amount, multiplied by a stated percentage. A significant percentage of our leases also provide for periodic escalation of minimum annual rent either based upon increases in the Consumer Price Index or a pre-determined schedule. The initial lease terms range from 10 to 20 years, with renewal options for 5 to 20 additional years. Typically, our leases are 10 or 15 years in length with 2 to 3, 5-year extension options. The initial terms of our leases currently expire between 2016 and 2032. We are also generally obligated to pay certain real estate taxes, insurances, common area maintenance charges and various other expenses related to the properties. Our corporate headquarters is also leased and is located at 1623 Toomey Road, Austin, Texas 78704. For additional information about certain facilities, including our corporate headquarters and six of our restaurant locations, we rent from related parties, see "Certain Relationships and Related Party Transactions." For additional information regarding our leases, see "— Properties."

### **Site Selection Process**

We have developed a targeted site acquisition and qualification process incorporating management's experience as well as extensive data collection, analysis and interpretation. We are actively developing restaurants in both new and existing markets, and we will continue to expand in selected regions throughout the U.S. We have an agreement with a master broker, Foremark, which identifies and works with a local broker to conduct preliminary research regarding a location. The preliminary research includes an analysis of traffic patterns, parking, access, demographic characteristics, population density, level of affluence, consumer attitudes or preferences and current or expected co-retail and restaurant tenants. Foremark then presents potential sites to our Vice President of Real Estate and Development. If our financial criteria for the site are satisfied, our Vice Presidents of Operations and Chief Executive Officer visit the site and, subject to board approval, our management negotiates the lease. The key criteria we have for a site is that the population within a three mile radius of the restaurant has a high concentration of our target demographic, which is persons ages 21 to 44 and persons with income ranges between \$60,000 and \$85,000 per year that dine out frequently. We also prefer locations with high visibility, especially in a new market, and ample parking spaces.

We seek to identify sites that contribute to our "If you've seen one Chuy's, you've seen one Chuy's" vision, meaning no two restaurants are alike. As we do not have standardized restaurant requirements with respect to size, location or layout, we are able to be flexible in our real estate selection process. In line with this strategy, we prefer to identify a combination of conversion sites as well as ground-up prototypes.

### **Design**

After identifying a lease site, we commence our restaurant buildout. We strive to create a unique and memorable customer experience at each of our locations. While the layout in each of our restaurants varies, we maintain certain distinguishable elements across virtually all locations – hand-carved, hand-painted wooden fish imported from Mexico, a variety of vibrant Mexican folk art, a "Nacho Car" that provides complimentary chips, salsa and chile con

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queso in the trunk of a classic car, vintage hubcaps hanging from the ceiling, colorful hand-made floor and wall tile and festive metal palm trees. Nearly all of our restaurants feature outdoor patios. Additionally, our flexible seating arrangements allow us to cater to families and parties of all sizes including larger groups, which we believe is a key differentiator from other casual dining operators.

Our new restaurants are either ground-up prototypes or conversions. We estimate that each ground-up buildout restaurant will require a total cash investment of \$1.7 million to \$2.5 million (net of estimated tenant incentives of between zero and \$0.8 million). We estimate that each conversion will require a total cash investment of \$2.0 million to \$2.2 million. The flexibility of our concepts has enabled us to open restaurants in a wide variety of locations, including high-density residential areas and near shopping malls, lifestyle centers and other high-traffic locations. On average, it takes us approximately 12 to 18 months from identification of the specific site to opening the doors for business. In order to maintain consistency of food and customer service as well as the unique atmosphere at our restaurants, we have set processes and timelines to follow for all restaurant openings.

The development and construction of our new sites is the responsibility of our Vice President of Real Estate and Development. Several project managers are responsible for building the restaurants, and several staff members manage purchasing, budgeting, scheduling and other related administrative functions.

### **New Restaurant Development**

We have opened 32 new locations since the beginning of 2008 through January 18, 2013, and our management believes we are well-positioned to continue this growth through our new restaurant pipeline, which includes locations currently under development and with respect to which we are actively negotiating letters of intent. We maintain a commitment to capitalizing on opportunities and realizing efficiencies in our existing markets while also pursuing attractive locations in new markets. We seek to identify new markets in which we believe there is capacity for us to open multiple restaurants. From January 1, 2013 through the end of 2017, we expect to open a total of 59 to 64 new restaurants.

### **Restaurant Operations**

We currently have eight supervisors that report directly to one of our two Vice Presidents of Operations, who in turn each report to our Chief Executive Officer. Each supervisor oversees the operations of four or six restaurants in their respective geographic areas. The staffing at our restaurants typically consists of a general manager, a kitchen manager and four to six assistant managers. In addition, each of our restaurants employs approximately 120 hourly employees.

### **Sourcing and Supply**

Our procurement team consists of our Vice President of Real Estate and Development and our Director of Purchasing and his team, which have been sourcing and purchasing our food and other supply products for over 24 years. We rely on two regional distributors, Labatt Foodservice in Texas and Oklahoma and Merchants Distributors in the Southeastern United States, and various suppliers to provide our beef, cheese, beans, soybean oil, beverages and our groceries. Our distributors deliver supplies to each restaurant two to three times each week. Our distributor relationships with Labatt Foodservice and Merchants have been in place for approximately eleven and two years, respectively, and the distributors cover 27 and 13 locations, respectively, as of January 18, 2013. Labatt Foodservice serves as our lead distributor, including managing our distribution services from Merchants Distributors and, in certain cases, assisting us in entering into contracts with our suppliers to lock in prices for certain products for up to one year. For our chicken products, we rely on three suppliers for our Southeast locations and Martin Brothers Distributing, as our sole supplier in Texas and Oklahoma. For our green chiles, we contract to buy, through our supplier, Bueno Foods of Albuquerque, New Mexico, chiles from a group of farmers in New Mexico each year, which we have the right to select under our agreement. If the farmers are unable or do not supply a sufficient amount of green chiles or if we need chiles out of season, we purchase the excess amount from the general supply of Bueno Foods. Each restaurant, through its general manager and kitchen manager, purchases its produce locally. We are currently evaluating entering into an agreement to purchase our produce through a produce buying group. Changes in the price or availability of certain food products could affect the profitability of certain food items, our ability to maintain existing prices and our ability to purchase sufficient amounts of items to satisfy our customers' demands.

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We are currently under contract with our principal non-alcoholic beverage provider through 2014. Our ability to arrange national distribution of alcoholic beverages is restricted by state law; however, where possible, we negotiate directly with spirit companies and/or regional distributors. We also contract with a third-party provider to source, maintain and remove our cooking shortening and oil systems.

### **Food Safety**

Providing a safe and clean dining experience for our customers is essential to our mission statement. We have taken steps to control food quality and safety risks, including designing and implementing a training program for our kitchen staff, employees and managers focusing on food safety and quality assurance. In addition, to minimize the risk of food-borne illness, we have implemented a Hazard Analysis and Critical Control Points ("HACCP") system for managing food safety and quality. Currently, a few of the jurisdictions in which we operate have implemented these new guidelines and we expect that additional jurisdictions will implement these guidelines in the near future. We also consider food safety and quality assurance when selecting our distributors and suppliers. Our suppliers are inspected by federal, state and local regulators or other reputable, qualified inspection services, which helps ensure their compliance with all federal food safety and quality guidelines.

### **Building Our Brand**

We believe our restaurants appeal to a broad spectrum of customers due to our freshly-prepared food offering, attentive service and festive dining experience. Our target demographic is persons ages 21 to 44 and persons within the income range of \$60,000 to \$85,000 per year that dine out frequently. We aim to build our brand image and awareness while retaining local neighborhood relationships by increasing the frequency of visits by our current customers and attracting new customers. We primarily foster relationships with local schools, chambers of commerce, businesses and sports teams through hosting tasting events and partnering in and sponsoring local charity events. Our marketing strategy also focuses on generating significant brand awareness at new restaurant openings.

### **Local Brand Building**

A key aspect of our local restaurant marketing/branding strategy is developing community relationships with residents, local schools, hotels and chambers of commerce. Our restaurant managers are closely involved in developing and implementing the majority of our local restaurant marketing/branding programs.

Since our founding in 1982, Chuy's success has stemmed from close personal relationships with our customers, employees and vendors. We believe the Chuy's culture, which emphasizes fun and authenticity while fostering social responsibility and involvement in local communities, is one of our most valuable assets, and we are committed to preserving and continually investing in it.

We regularly hold a variety of community events. Each spring, we host the Chuy's Annual Hot to Trot 5K and Kid's K at our Arbor Trails location, which benefits the Special Olympics of Texas. During the winter holidays, we sponsor the Chuy's Children Giving to Children Parade, which collects toys for the Blue Santa program. The Blue Santa program gives gifts and holiday meals to needy families in Central Texas. With respect to our locations outside of Texas, we participate in and sponsor several community events across all of our locations, specifically focusing on helping children's charities. For example, we participated in the BrightStone Golf Benefit in Cool Springs, Tennessee, the Magic City Mile in Birmingham, Alabama and the Kosair Charities Circus in Louisville, Kentucky. To celebrate one of our signature ingredients, the Hatch green chile, we hold an annual Green Chile Festival in all of our restaurants during the August and September harvest, with special menu items featuring Hatch chiles and promotional give-aways.

### **New Restaurant Openings**

We have developed a marketing/branding strategy that we use in connection with new restaurant openings to help build local brand recognition and create a "buzz." We start off by establishing a visual presence through such means as installing one of our emblematic red fish on the top of our new location and staging Elvis sightings in the area surrounding our new location. During that time, we also try to become active in the local community by, for example, joining the chamber of commerce and meeting local community leaders. In new markets, we generally host a pre-opening party called a "Redfish Rally" after our emblematic red fish for our social media fans and local Texas

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Exes (University of Texas at Austin alumni group), a group that is generally familiar with and displays an affinity for our concept. During our "Redfish Rallies", we serve our food and margaritas and give away free Chuy's merchandise.

We use the pre-opening period for our new restaurants as an opportunity to reach out to various media outlets as well as the local community. We retain local, niche marketing groups to assist us with addressing the local market, establishing relationships with local charities and gaining brand recognition. To promote new openings, we employ a variety of marketing techniques in addition to issuing press releases, launching direct mail campaigns, and e-marketing, such as hosting concierge parties, training lunches and dinners and food tastings with local residents, media, community leaders and businesses.

### ***E-Marketing & Social Media***

We have increased our use of e-marketing tools, which enables us to reach a significant number of people in a timely and targeted fashion at a fraction of the cost of traditional media. We believe our customers are generally frequent Internet users and will use social media to share dining experiences. We have set up four Facebook pages, including our corporate page and three local market pages, that we use to engage with customers. We also have a mailing list that allows us to send customers updates about events at their local Chuy's.

### **Training and Employee Programs**

We devote significant resources to identifying, selecting and training restaurant-level employees, with an approximately 20-week training program for all of our restaurant managers that includes an average of 11 weeks of restaurant training and eight to nine weeks of "cultural" training, in which managers observe our established restaurants' operations and customer interactions. We conduct comprehensive training programs for our management, hourly employees and corporate personnel. Our training program covers leadership, team building, food safety certification, alcohol safety programs, customer service philosophy training, sexual harassment training and other topics. In conjunction with our training activities, we hold "Culture Clubs" four times or more per year, as a means to fully impart the Chuy's story through personal appearances by our Founders.

Our training process in connection with opening new restaurants has been refined over the course of our experience. Trainers oversee and conduct both service and kitchen training and are on site through the first two weeks of opening and remain on site for two to three additional weeks as needed and depending on unit volumes during the initial weeks. We have one front- and one back-of-the-house training coordinator, and these training coordinators remain on-site to manage the opening for approximately the same period as our other trainers. The lead and other trainers assist in opening new locations and lend support and introduce our standards and culture to the new team. We believe that hiring the best available team members and committing to their training helps keep retention high during the restaurant opening process.

### **Management Information Systems**

At all of our restaurants, we use Hospitality Solutions International for our point-of-sale system, which manages our credit card transactions. This software communicates directly with our corporate headquarters and provides headquarters with near real-time information about restaurant level performance and sales. We are currently rolling out a new enterprise resource planning software program, Restaurant Magic, to all of our locations. This program will manage our scheduling, general ledger, accounts payable, payroll, inventory, purchasing and human resources information, and will communicate that information to our headquarters to provide visibility on restaurant level operations. Once Restaurant Magic is fully implemented, we will no longer use our back-office software that we license from Banana Peel, LLC. We completed the implementation of Restaurant Magic during the third quarter of 2012. For additional information regarding our license agreement with Banana Peel, see "Certain Relationships and Related Party Transactions."

### **Government Regulation**

We are subject to numerous federal, state and local laws affecting our business. Each of our restaurants is subject to licensing and regulation by a number of government authorities, which may include alcoholic beverage control, nutritional information disclosure, health, sanitation, environmental, zoning and public safety agencies in the state or municipality in which the restaurant is located.

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For the twelve months ended September 23, 2012, 19.4% of our total restaurant sales were attributable to alcoholic beverages. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county and municipal authorities, for licenses and permits to sell alcoholic beverages on the premises. Typically, licenses must be renewed annually and may be subject to penalties, temporary suspension or revocation for cause at any time. Alcoholic beverage control regulations impact many aspects of the daily operations of our restaurants, including the minimum ages of patrons and staff members consuming or serving these beverages, respectively; staff member alcoholic beverage training and certification requirements; hours of operation; advertising; wholesale purchasing and inventory control of these beverages; the seating of minors and the servicing of food within our bar areas; special menus and events, such as happy hours; and the storage and dispensing of alcoholic beverages. State and local authorities in many jurisdictions routinely monitor compliance with alcoholic beverage laws. We are subject to "dram shop" statutes in most of the states in which we operate, 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.

Various federal and state labor laws govern our operations and our relationships with our staff members, including such matters as minimum wages, breaks, overtime, fringe benefits, safety, working conditions and citizenship or work authorization requirements. We are also subject to the regulations of the U.S. Citizenship and Immigration Services and U.S. Customs and Immigration Enforcement. In addition, some states in which we operate have adopted immigration employment laws which impose additional conditions on employers. Even if we operate our restaurants in strict compliance with the laws, rules and regulations of these federal and state agencies, some of our staff members may not meet federal citizenship or residency requirements or lack appropriate work authorizations, which could lead to a disruption in our work force. Significant government-imposed increases in minimum wages, paid or unpaid leaves of absence, sick leave, and mandated health benefits, or increased tax reporting, assessment or payment requirements related to our staff members who receive gratuities, could be detrimental to the profitability of our restaurants operations. Further, we are continuing to assess the impact of recently-adopted federal health care legislation on our health care benefit costs. The imposition of any requirement that we provide health insurance benefits to staff members that are more extensive than the health insurance benefits we currently provide, or the imposition of additional employer paid employment taxes on income earned by our employees, 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, while we carry employment practices insurance covering a variety of labor-related liability claims, a settlement or judgment against us that is uninsured or in excess of our coverage limitations could have a material adverse effect on our results of operations, liquidity, financial position or business.

The recent Patient Protection and Affordability Act of 2010 (the "PPACA") federal legislation enacted in March 2010 requires chain restaurants with 20 or more locations in the United States to comply with federal nutritional disclosure requirements. Although the FDA published proposed regulations to implement the menu labeling provisions of the PPACA in April 2011, the agency has delayed the release of final regulations implementing these requirements. A number of states, counties and cities have also enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information available to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Although the federal legislation is intended to preempt conflicting state or local laws on nutrition labeling, until we are required to comply with the federal law we will be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another. While our ability to adapt to consumer preferences is a strength of our concept, the effect of such labeling requirements on consumer choices, if any, is unclear at this time.

There is also a potential for increased regulation of food in the United States, such as the recent changes in the HACCP system requirements. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have adopted legislation or implemented regulations which require restaurants to develop and implement HACCP Systems. Similarly, the United States Congress and the FDA continue to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the Food Safety Modernization Act (the "FSMA") was signed into law in January 2011 and significantly expanded



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FDA's authority over food safety. Among other requirements, the FSMA granted the FDA with new authority to proactively ensure the safety of the entire food system, including through new and additional hazard analysis, food safety planning, increased inspections, and permitting mandatory food recalls. Although restaurants are specifically exempted from some of the new requirements outlined in the FSMA and not directly implicated by other requirements, we anticipate that some of the FSMA provisions and FDA's implementation of the new requirements may impact our industry. We cannot assure you that we will not have to expend additional time and resources to comply with new food safety requirements either required by the FSMA or future federal food safety regulation or legislation. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business.

We are subject to a variety of federal and state environmental regulations concerning the handling, storage and disposal of hazardous materials, such as cleaning solvents, and the operation of restaurants in environmentally sensitive locations may impact aspects of our operations. During fiscal 2011, there were no material capital expenditures for environmental control facilities, and no such expenditures are anticipated.

Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 ("ADA") and related federal and state statutes. The ADA prohibits discrimination on the basis of disability with respect to public accommodations and employment. Under the ADA and related federal and state laws, we must make access to our new or significantly remodeled restaurants readily accessible to disabled persons. We must also make reasonable accommodations for the employment of disabled persons.

We have a significant number of hourly restaurant staff members who receive income from gratuities. We rely on our staff members 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.

### **Intellectual Property**

We believe that having distinctive marks that are registered and readily identifiable is an important factor in identifying our brand and differentiating our brand from our competitors. We currently own registrations from the United States Patent and Trademark Office ("USPTO") for the following trademarks: Chuy's; Chuy's Mil Pescados Bar (stylized lettering); Chuy's Green Chile Festival; Fish with sunglasses (our emblematic fish design); and Chuy's Children Giving to Children Parade, which we have the right to use under our Parade Sponsorship agreement with Young/Zapp. For more information on this agreement see "Certain Relationships and Related Party Transactions." We have also registered our chuys.com domain name. However, as a result of our settlement agreement with an unaffiliated entity, Baja Chuy's, we may not use "Chuy's" in Nevada, California or Arizona. An important part of our intellectual property strategy is the monitoring and enforcement of our rights in markets in which our restaurants currently exist or markets which we intend to enter in the future. We also monitor trademark registers to oppose the applications to register confusingly similar trademarks or to limit the expansion of the scope of goods and services covered by existing similar trademarks. We enforce our rights through a number of methods, including the issuance of cease-and-desist letters or making infringement claims in federal court.

### **Restaurant Industry Overview**

According to the National Restaurant Association (the "NRA"), U.S. restaurant industry sales in 2011 were \$610.4 billion and are projected to grow 3.5% to \$631.8 billion in 2012, versus U.S. gross domestic product growth of 2.5% in 2012. The \$631.8 billion in sales projected in 2012 is composed of 91.0% commercial restaurant services and 9.0% noncommercial restaurant services, which include food service for hospitals, transportation services, schools and other noncommercial outlets. These sales are generated by an estimated 12.9 million restaurant industry employees. According to the NRA, restaurant industry sales in the states in which we operate—Texas, Tennessee, Alabama, Kentucky, Indiana, Georgia and Oklahoma—are expected to be approximately \$88.9 billion in 2012 with average sales growth of approximately 3.2%.

We believe we are well positioned to benefit from several fundamental trends in the restaurant industry and U.S. population. The NRA estimates that 48% of total U.S. food expenditures are currently spent at restaurants. Analysts believe that purchases of "food away from home" are attributable to demographic, economic and lifestyle trends,

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including the rise in the number of women in the workplace, an increase in average household income, an aging U.S. population and an increased willingness by consumers to pay for the convenience of meals prepared outside of their homes. Real disposable personal income, a key driver of restaurant industry sales, is projected to increase 2.0% in 2012, following an increase of 1.0% in 2011. We cannot provide assurance that we will benefit from the aforementioned demographic trends.

According to the U.S. Census Bureau, the Hispanic population is projected to be the fastest growing demographic in the U.S., nearly tripling in size from 48.4 million people in 2009 to 132.8 million people by 2050. During this time, the Hispanic population's share of the nation's total population is projected to nearly double, from approximately 16% to 30%. We believe the projected growth in the Hispanic population will result in an increase in demand for Mexican/Hispanic foods. We cannot provide assurance that we will benefit from these long-term demographic trends, although we believe the Hispanic influence on dining trends will continue to grow in tandem with the population growth.

The restaurant industry is divided into two primary segments including limited-service and full-service restaurants and is generally categorized by price, quality of food, service and location. Chuy's competes in the full-service restaurant segment, which according to Technomic, Inc., a national consulting and market research firm, had approximately \$169.4 billion of sales in 2011, and is expected to grow 2.2% in 2012 to sales of \$173.0 billion. The Mexican food component of the full-service restaurant segment is a highly fragmented sector, with the top five restaurants based on sales, representing approximately 17% of the category in 2011. According to Technomic, full service Mexican restaurants posted a sales increase of 2.0% in 2011, despite a 0.2% decline in units.

### **Competition**

The restaurant business is intensely competitive with respect to food quality, price/value relationships, ambience, service and location, and is affected by many factors, including changes in consumer tastes and discretionary spending patterns, macroeconomic conditions, demographic trends, weather conditions, the cost and availability of raw materials, labor and energy and government regulations. Our main competitors are full service concepts in the multi-location, casual dining segment in which we compete most directly for real estate locations and customers, including Texas Roadhouse, Cheddar's Casual Cafe and BJ's Restaurants. We also compete with other providers of Tex Mex and Mexican fare and adjacent segments, including casual and fast casual segments. We believe we compete favorably for consumers on our food quality, price/value and unique ambience and experience of our restaurants.

### **Seasonality**

Our business is subject to seasonal fluctuations with restaurant sales typically higher during the spring and summer months as well as in December. Adverse weather conditions during our most favorable months or periods may affect customer traffic. In addition, at all but one of our restaurants we have outdoor seating, and the effects of adverse weather may impact the use of these areas and may negatively impact our revenues.

### **Employees**

As of September 23, 2012, we had approximately 4,692 employees, including 39 corporate management and staff personnel, 313 restaurant level managers and 4,340 hourly employees. None of our employees are unionized or covered by a collective bargaining agreement. We believe that we have good relations with our employees.

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### Properties

The following table sets forth our restaurant locations as of January 18, 2013.

LOCATION	NUMBER OF RESTAURANTS
Alabama	1
Florida	1
Georgia	1
Indiana	1
Kentucky	4
Oklahoma	2
Tennessee	5
Texas	25
<b>Total</b>	<b>40</b>

We have also signed leases and are in development for 7 additional restaurants in Little Rock, Arkansas; Orlando, Florida; Kissimmee, Florida (a second location in Orlando); Charlotte, North Carolina; Raleigh, North Carolina; Richmond, Virginia; and Sugarland, Texas.

We lease all of the land, parking lots and buildings used in our restaurant operations under various long-term operating lease agreements. For additional information regarding our obligations under our leases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Commitments and Contingencies."

All of our leases provide for base (fixed) rent, plus the majority provide for additional rent based on gross sales (as defined in each lease agreement) in excess of a stipulated amount, multiplied by a stated percentage. A significant percentage of our leases also provide for periodic escalation of minimum annual rent either based upon increases in the Consumer Price Index or a pre-determined schedule. The initial lease terms range from 10 to 20 years, with renewal options for 5 to 20 additional years. Typically, our leases are 10 or 15 years in length with 2 to 3, 5-year extension options. The initial terms of our leases currently expire between 2016 and 2032. We are also generally obligated to pay certain real estate taxes, insurances, common area maintenance charges and various other expenses related to the properties. Our corporate headquarters is also leased and is located at 1623 Toomey Road, Austin, Texas 78704. For additional information about certain facilities, including our corporate headquarters and six of our restaurant locations, we rent from related parties, see "Certain Relationships and Related Party Transactions."

## **LEGAL PROCEEDINGS**

Occasionally we are a party to various legal actions arising in the ordinary course of our business including claims resulting from "slip and fall" accidents, employment related claims and claims from customers or employees alleging illness, injury or other 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 prospectus, we are not a party to any material pending legal proceedings and are not aware of any claims that could have a materially adverse effect on our financial position, results of operations or cash flows.

## MANAGEMENT

The following table sets forth certain information about our directors and executive officers as of the date of this prospectus:

<u>NAMES</u>	<u>AGE</u>	<u>POSITIONS</u>
Steve Hislop	52	Director, President and Chief Executive Officer
Jon Howie	45	Chief Financial Officer
Sharon Russell	56	Secretary and Chief Administrative Officer
Frank Biller	56	Vice President of Operations, Southeast Region
Michael Hatcher	52	Vice President of Real Estate and Development
Ted Zapp	61	Vice President of Operations
Jose Ferreira, Jr.	56	Chairman of the Board, Director <sup>(1), (2), (3)</sup>
Starlette Johnson	49	Director <sup>(2)</sup>
Saed Mohseni	50	Director <sup>(2)</sup>
David Oddi	42	Director
Michael Stanley	30	Director <sup>(2)</sup>
Mike Young	63	Director <sup>(1), (3)</sup>
John Zapp	60	Director <sup>(1), (3)</sup>
Ira Zecher	60	Director <sup>(1), (2)</sup>

(1) Member of compensation committee.

(2) Member of audit committee.

(3) Member of nominating and corporate governance committee.

### Executive Officers Biographies

*Steve Hislop* has served as President, Chief Executive Officer and a member of our board of directors since July 2007. From July 2006 through June 2007, Steve was President and Chief Executive Officer of Sam Seltzer Steak House. Prior to that, Steve served as the Concept President and a member of the board of directors of O'Charley's Restaurants for 18 years where he helped grow the business from 12 restaurants to a multi-concept company with 347 restaurants. We have concluded that Steve should serve on our board based upon his operational expertise, knowledge of the restaurant industry and leadership experience.

*Jon Howie* has served as our Chief Financial Officer since August 2011. From March 2007 to July 2011, Jon served as the Chief Financial Officer of Del Frisco's Restaurant Group, LLC. Prior to that, he served 5 years as Controller and was then promoted to Chief Accounting Officer of the Lone Star Steakhouse & Saloon, Inc. Jon is a certified public accountant and prior to joining Lone Star Steakhouse & Saloon, Inc. was employed as an audit senior manager with Grant Thornton, LLP for one year and held various audit positions, including audit senior manager, at Ernst & Young LLP for ten years. At Grant Thornton and Ernst and Young, he served as an accounting and business advisor to both private and public companies and advised a number of these companies in conjunction with their initial and secondary public offerings.

*Sharon Russell* has served as our Secretary and Chief Administrative Officer since August 2011. Prior to becoming our Chief Administrative Officer, she supervised our accounting department from 1987 to 2006 and served as our Chief Financial Officer from 2006 to August 2011.

*Frank Biller* has served as our Vice President of Operations for the Southeast Region since July 2008. Prior to joining us, Frank spent 18 years as the Vice President of Operations for O'Charley's Restaurants with overall responsibility for 240 restaurants in 19 states.

*Michael Hatcher* has served as our Vice President of Real Estate and Development since November 2009. Michael joined Chuy's as a restaurant manager in 1987 and was promoted to General Manager from 1989 to 2002. He was Director of Purchasing and Real Estate from 2002 to 2009.

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*Ted Zapp* has served as our Vice President of Operations since November 2006. Ted has worked with us for almost 30 years. He worked in restaurant operations as a General Manager from 1992 to 1996 and was promoted to Operations Supervisor from 1996 to 2003. He was promoted to Director of Operations from 2003 to 2006 before assuming his current position. Ted Zapp is the brother of John Zapp, a member of our board.

### **Director Biographies**

*Jose ("Joe") Ferreira, Jr.* has served as Chairman of our board and as Treasurer of the Company since November 2006. Joe is a co-founder, partner and managing member of Goode Partners LLC (our "Sponsor"). Joe is also a member of Goode Partners I, LLC, which is the general partner of Goode Chuy's Holdings, LLC. Prior to the founding of Goode Partners, Joe founded and was President and Chief Executive Officer of Woodclyffe Group, an international business consulting and interim management firm. Prior to founding the Woodclyffe Group in 2001, Joe was Co-Chief Operating Officer, President of International and a member of the board of directors of Avon Products Inc., where he worked for over 20 years. Joe has served on the board of directors of various companies, public and private, and currently sits on the board of directors of Rosa Mexicano, Bowlmor Lanes and Princess House. Joe holds a B.S. from Central Connecticut State University and an M.B.A. from Fordham University. We have concluded that Joe should serve on our board based upon his experience as an executive, investor and board member of other companies.

*Starlette Johnson*, has served as a member of our board since September 2012. Starlette most recently served as President and Chief Operating Officer, as well as a Director, of Dave & Buster's, Inc. from 2007 to 2010. Starlette joined Dave & Buster's as Chief Strategic Officer in 2006. Prior to joining Dave & Buster's, Starlette worked at Brinker International, where she held positions of increasing responsibility, including serving as the Executive Vice President and Chief Strategic Officer. Starlette is a member of the Board of Directors and serves on the Audit Committee and the Nominating/Governance Committee for Tuesday Morning, Inc. She also serves on the Advisory Board for the Hospitality & Tourism Program at Virginia Tech and is also a member of the International Women's Foundation. Starlette received a B.S. in Finance from Virginia Tech and an M.B.A. from Duke University. We have concluded that Starlette should serve on our board based upon her experience as an executive and board member and her knowledge of the restaurant industry.

*Saed Mohseni*, has served as a member of our board since September 2012. Saed currently serves as the President and Chief Executive Officer of Bravo Brio Restaurant Group, Inc., the owner and operator of BRAVO! Cucina Italiana and BRIO Tuscan Grille. He was recruited to the Chief Executive Officer position in 2007, assumed the additional role of President in 2009 and led the company through the IPO process in 2010. Prior to joining Bravo Brio, Saed worked at McCormick & Schmick for 21 years, where he held positions of increasing responsibility, including serving as a Director from 2004 to 2007 and as Chief Executive Officer from 2000 to 2007. Saed attended Portland State University and Oregon State University. We have concluded that Saed should serve on our board based upon his experience as an executive and board member and his knowledge of the restaurant industry.

*David Oddi* has served as a member of our board and as President and Secretary of the Company since November 2006. David is a co-founder, partner and managing member of our Sponsor. David is also a member of Goode Partners I, LLC, which is the general partner of Holdings. Additionally, David is a Vice President of Chuy's Opco, Inc. and the Manager of Chuy's Services LLC (our wholly owned subsidiary). Prior to the founding of Goode Partners, David was a partner of Saunders Karp & Megrue, a private equity firm. David previously served as an analyst in the leveraged finance group of Salomon Brothers. David has served on the board of directors of various companies, public and private, and currently sits on the board of All Saints, Bowlmor Lanes, Intermix and Luxury Optical Holdings. David holds a B.S. from the Wharton School at the University of Pennsylvania. We have concluded that David should serve on our board based upon his experience as an investor and board member of other companies.

*Michael Stanley* has served as a member of our board since May 2011. Michael was promoted from associate to Vice President of our Sponsor in January 2011. Prior to working at Goode Partners, Michael worked as an analyst at Wachovia Securities. Michael currently sits on the board of directors of Rosa Mexicano and is a board observer of Bowlmor Lanes. We have concluded that Michael should serve on our board based upon his experience as an investor and his intimate knowledge of our operations.

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*Michael Young*, one of our founders, has served as a member of our board since November 2006. We have concluded that Michael should serve on our board based upon his experience as an investor and operator of restaurant businesses as well as his intimate knowledge of our operations and culture.

*John Zapp*, one of our founders, has served as a member of our board since November 2006. We have concluded that John should serve on our board based upon his experience as an investor and operator of restaurant businesses as well as his intimate knowledge of our operations and culture. John Zapp is the brother of Ted Zapp, our Vice President of Operations.

*Ira Zecher*, has served as a member of our board since June 2011. Ira has been a professor at Rutgers University in the Graduate Accounting program since September 2010. From 1974 through December 2010, Ira was employed by Ernst & Young, a registered public accounting firm, retiring as a partner. Previously, he was a senior transaction advisory services partner and Far East private equity leader for Ernst & Young, where he advised clients on mergers and acquisitions across a broad range of industries. Prior to joining the transaction advisory services group, Ira provided accounting, audit and business-advisory services to both public and private clients for Ernst & Young since 1974. He received his Bachelor's degree from Queens College. He is also a certified public accountant, a member of the American Institute of Certified Public Accountants (AICPA) and the New York State Society of Certified Public Accountants. We have concluded that Ira should serve on our board based upon his extensive professional accounting and financial expertise, which allow him to provide key contributions to the Board on financial, accounting, corporate governance and strategic matters.

### **Board of Directors**

Our board of directors currently consists of nine directors. Except for Ira Zecher, Starlette Johnson and Saed Mohseni, our directors were elected as directors pursuant to our stockholders agreement. The provisions of the agreement regarding the right of our preferred stockholders to nominate and elect members of the board terminated upon the consummation of our IPO. See "Certain Relationships and Related Party Transactions—Stockholders Agreement." We are actively searching for additional independent board members.

In connection with our IPO, our bylaws were amended and restated to provide that the authorized number of directors may be changed only by resolution of the board of directors, and our amended and restated certificate of incorporation divided our board into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election or until their earlier death, resignation or removal.

Our amended and restated certificate of incorporation provides that directors may only be removed for cause. To remove a director for cause, 66 2/3% of the voting power of the outstanding voting stock must vote as a single class to remove the director at an annual or special meeting. The certificate also provides that, if a director is removed or if a vacancy occurs due to either an increase in the size of the board or the death, resignation, disqualification or other cause, the vacancy will be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum remain.

This classification of the board of directors, together with the ability of the stockholders to remove our directors only for cause and the inability of stockholders to call special meetings, may have the effect of delaying or preventing a change in control or management. See "Description of Capital Stock—Anti-Takeover Provisions" for a discussion of other anti-takeover provisions found in our amended and restated certificate of incorporation.

### **Director Independence and Controlled Company Status**

Our board of directors will review at least annually the independence of each director. During these reviews, the board will consider transactions and relationships between each director (and his or her immediate family and affiliates) and our company and its management to determine whether any such transactions or relationships are inconsistent with a determination that the director is independent. This review will be based primarily on responses of the directors to questions in a directors' and officers' questionnaire regarding employment, business, familial, compensation and other relationships with the Company and our management. Our board of directors has

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determined that each of Ira Zecher, Starlette Johnson and Saed Mohseni are independent. As required by the Nasdaq Global Select Market, our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present. We intend to comply with future governance requirements to the extent they become applicable to us.

Upon the consummation of this offering, we will no longer be able to avail ourselves of the controlled company exception under the Nasdaq Marketplace Rules. Accordingly, we will be required to have a majority of independent directors on our board of directors and an audit committee, compensation committee and nominating and corporate governance committee composed entirely of independent directors as defined under the Nasdaq Marketplace Rules, subject to a phase-in period of one year following the loss of our controlled company status. Under the Nasdaq listing requirements, a company that ceases to be a controlled company must comply with the independent board committee requirements as they relate to the nominating and corporate governance and compensation committees on the following phase-in schedule: (1) one independent committee member at the time it ceases to be a controlled company, (2) a majority of independent committee members within 90 days of the date it ceases to be a controlled company and (3) all independent committee members within one year of the date it ceases to be a controlled company. Additionally, the Nasdaq listing requirements provide a 12-month phase-in period from the date a company ceases to be a controlled company to comply with the majority independent board requirement. The loss of our controlled company status does not modify the independence requirements for the audit committee under the phase-in period following our IPO.

We intend to continue our compliance with the phase-in requirements of Sarbanes-Oxley and the Nasdaq Marketplace Rules, which require our audit committee be composed of at least three members, each of whom is required to be independent, by July 24, 2013. We currently are in compliance with the audit committee phase-in requirements, which require a majority of directors on the audit committee be independent within 90 days of listing. Ira Zecher, Starlette Johnson and Saed Mohseni serve on our audit committee and are independent. Effective upon the completion of this offering, we will have one independent director on each of our compensation committee and nominating and corporate governance committee, and within 90 days of the completion of this offering we intend to have a majority of the members be independent on the compensation committee and nominating and corporate governance committee. Our board of directors intends to take all action necessary to continue to comply with the Nasdaq Marketplace Rules with respect to our compensation committee and nominating and corporate governance committee, subject to the permitted phase-in period, and to continue our compliance with the requirements of Sarbanes-Oxley and the Nasdaq Marketplace Rules with respect to our audit committee.

### **Corporate Governance**

We believe that good corporate governance is important to ensure that, as a public company, we will be managed for the long-term benefit of our stockholders. We and our board of directors have been reviewing the corporate governance policies and practices of other public companies, as well as those suggested by various authorities in corporate governance. We have also considered the provisions of the Sarbanes-Oxley Act and the rules of the SEC and the Nasdaq Global Select Market.

Based on this review, we have established and adopted, charters for the audit committee, compensation committee and nominating and corporate governance committee, as well as a code of business conduct and ethics applicable to all of our directors, officers and employees.

### **Board Committees**

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.



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### **Audit Committee**

Our audit committee is a standing committee of our board of directors. The functions of our audit committee include:

- appointing and determining the compensation for our independent auditors;
- establishing procedures for the receipt, retention and treatment of complaints regarding internal accounting controls; and
- reviewing and overseeing our independent registered public accounting firm.

Our audit committee currently consists of Joe Ferreira, Michael Stanley, Ira Zecher, Starlette Johnson and Saed Mohseni, with Ira Zecher serving as chairman. The SEC and the Nasdaq Marketplace rules required us to have one independent audit committee member upon the listing of our common stock on the Nasdaq Global Select Market, and a majority of independent audit committee members within 90 days from the date of listing. We will also be required to have all independent audit committee members within one year from the date of our original listing. Currently, a majority of our audit committee members are independent, and we expect to have an entirely independent audit committee within one year from the date of our original listing. We are also required to have at least one audit committee financial expert. Our board of directors has determined that Ira Zecher is an audit committee financial expert.

Our board of directors has adopted a written charter under which the audit committee operates. A copy of the charter, which satisfies the applicable standards of the SEC and the Nasdaq Global Select Market, is available on our website.

### **Compensation Committee**

Our compensation committee is a standing committee of our board of directors. The compensation committee's functions include:

- reviewing and recommending to our board of directors the salaries and benefits for our executive officers;
- recommending overall employee compensation policies; and
- administering our equity compensation plans.

Our compensation committee currently consists of Joe Ferreira, Michael Young, John Zapp and Ira Zecher, with Joe Ferreira serving as chairman. Upon the consummation of this offering, we will no longer be able to avail ourselves of the controlled company exception under the Nasdaq Marketplace Rules. As a result, we will be required to have a compensation committee composed entirely of independent directors as defined under the Nasdaq Marketplace Rules, subject to a phase-in period. As part of the phase-in requirements, the Nasdaq Marketplace Rules will require that this committee have at least one independent director at the time of completion of this offering. Mr. Zecher serves on our compensation committee and is an independent director. Our board of directors intends to take all action necessary to comply with the Nasdaq Marketplace Rules with respect to our compensation committee, subject to the permitted phase-in period.

Our board of directors has adopted a written charter under which the compensation committee operates. A copy of the charter, which satisfies the applicable standards of the SEC and the Nasdaq Global Select Market, is available on our website.

### **Nominating and Corporate Governance Committee**

Our nominating and corporate governance committee is a standing committee of our board of directors. The functions of our nominating and corporate governance committee include:

- identifying individuals qualified to serve as members of our board of directors;
- recommending to our board nominees for our annual meetings of stockholders;
- evaluating our board's performance;
- developing and recommending to our board corporate governance guidelines; and
- providing oversight with respect to corporate governance and ethical conduct.

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Our nominating and corporate governance committee consists of Joe Ferreira, Mike Young and John Zapp, with John Zapp serving as the committee chairman. Upon the consummation of this offering, we will no longer be able to avail ourselves of the controlled company exception under the Nasdaq Marketplace Rules. As a result, we will be required to have a corporate governance and nominating committee composed entirely of independent directors as defined under the Nasdaq Marketplace Rules, subject to a phase-in period. As part of the phase-in requirements, the Nasdaq Marketplace Rules will require that this committee have at least one independent director at the time of completion of this offering if the offering results in our loss of our controlled company status. Our board of directors has appointed Starlette Johnson, an independent director, to the committee effective upon the consummation of this offering. Our board of directors will take all action necessary to comply with the Nasdaq Marketplace Rules with respect to our nominating and corporate governance committee, subject to the permitted phase-in period.

Our board of directors has adopted a written charter under which the nominating and corporate governance committee will operate. A copy of the charter, which satisfies the applicable standards of the SEC and the Nasdaq Global Select Market, is available on our website.

### **Other Committees**

Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers have served as a member of the board of directors or compensation committee of any related entity that has one or more executive officers serving on our board of directors or compensation committee.

### **Code of Business Conduct and Ethics**

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. A current copy of the code is posted on our website, which is located at [www.chuys.com](http://www.chuys.com). Any amendments to our code of conduct will be disclosed on our Internet website promptly following the date of such amendment or waiver.

### **Board Leadership Structure and Board's Role in Risk Oversight**

Joe Ferreira, a non-employee, serves as Non-Executive Chairman of our board of directors. We support separating the position of Chief Executive Officer and Chairman to allow our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman to lead our board of directors in its fundamental role of providing advice to, and oversight of, management. Our board of directors recognizes the time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as our board of directors' oversight responsibilities continue to grow. Our board of directors also believes that this structure ensures a greater role for the non-management directors in the oversight of our company and establishing priorities and procedures for the work of our board of directors.

While our amended and restated bylaws do not require that our Chairman and Chief Executive Officer positions be separate, our board of directors believes that having separate positions and having a non-employee director serve as Chairman is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business and we face a number of risks as outlined in the "Risk Factors" section of this prospectus. Management is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through our audit committee, is responsible for overseeing our management and operations, including overseeing its risk assessment and risk management functions. Our board of directors has delegated responsibility for reviewing our policies with respect to risk assessment and risk management to our audit committee through its charter. Our board of directors has determined that this oversight responsibility can be most efficiently performed by our audit committee as part of its overall responsibility for providing independent, objective oversight with respect to our accounting and financial reporting functions, internal and external audit functions and systems of internal controls over financial reporting and legal, ethical and regulatory compliance. Our audit committee will regularly report to our board of directors with respect to its oversight of these areas.

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### **Limitations of Liability and Indemnification of Directors and Officers**

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law (“DGCL”) provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such person as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation’s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation’s best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses that such officer or director has actually and reasonably incurred. Our certificate of incorporation and our bylaws provide for the indemnification of our directors and officers to the fullest extent permitted under the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- breach of a director’s duty of loyalty to the corporation or its stockholders.

Our certificate of incorporation and bylaws include such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by us upon delivery to us of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by us.

Section 174 of the DGCL provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

### **Indemnification Agreements**

We have entered into indemnification agreements with each of our current directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth the beneficial ownership information of our shares of common stock in connection with this offering as of January 18, 2013 for:

- each person known to us to be the beneficial owner of more than 5% of our shares of common stock;
- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each selling stockholder.

The table also sets forth such persons' beneficial ownership of common stock immediately after this offering.

Unless otherwise noted below, the address of the persons and entities listed on the table is c/o Chuy's Holdings, Inc., 1623 Toomey Rd., Austin, Texas 78704. We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock reflected as beneficially owned, subject to applicable community property laws.

Beneficial ownership and percentage of beneficial ownership is based on 15,918,427 shares of our common stock outstanding at January 18, 2013. Shares of common stock subject to options currently exercisable or exercisable within 60 days of January 18, 2013 are deemed to be outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage of beneficial ownership of that person and any group of which that person is a member, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person.

NAME OF BENEFICIAL OWNER	COMMON STOCK BENEFICIALLY OWNED <sup>(1)</sup>					PERCENTAGE OF SHARES BENEFICIALLY OWNED		
	PRIOR TO THE OFFERING	SHARES BEING OFFERED	SHARES SUBJECT TO OPTION TO PURCHASE ADDITIONAL SHARES	AFTER THE OFFERING	AFTER THE OFFERING (OPTION TO PURCHASE ADDITIONAL SHARES EXERCISED IN FULL)	PRIOR TO THE OFFERING	AFTER THE OFFERING	AFTER THE OFFERING (OPTION TO PURCHASE ADDITIONAL SHARES EXERCISED IN FULL)
Goode Partners LLC <sup>(2)</sup>	7,890,395	3,795,212	413,142	4,095,183	3,682,041	49.6%	25.6%	22.7%
MY/ZP Equity, LP <sup>(3)</sup>	895,538	430,747	46,890	464,791	417,901	5.6%	2.9%	2.6%
J.P. Morgan Funds <sup>(4)</sup>	222,626	107,082	11,657	115,544	103,887	1.4%	0.7%	0.6%
Jose Ferreira, Jr. <sup>(5)</sup>	15,000	—	—	15,000	15,000	0.1%	0.1%	0.1%
Starlette Johnson	—	—	—	—	—	—	—	—
Saed Mohseni	—	—	—	—	—	—	—	—
David J. Oddi <sup>(2)</sup>	7,890,395	3,795,212	413,142	4,095,183	3,682,041	49.6%	25.6%	22.7%
Michael C. Stanley <sup>(6)</sup>	—	—	—	—	—	—	—	—
Michael R. Young <sup>(3)</sup>	895,538	430,747	46,890	464,791	417,901	5.6%	2.9%	2.6%
John A. Zapp <sup>(3)</sup>	895,538	430,747	46,890	464,791	417,901	5.6%	2.9%	2.6%
Ira Zecher	1,450	—	—	1,450	1,450	—	—	—
Steve Hislop	493,046	118,575	144,391	374,471	230,080	3.0%	2.3%	1.4%
Jon Howie	18,276	—	—	18,276	18,276	0.1%	0.1%	0.1%
Sharon Russell	100,596	24,192	29,460	76,404	46,944	0.6%	0.5%	0.3%
Frank Biller	57,586	—	—	57,586	57,586	0.4%	0.4%	0.4%
Michael Hatcher	43,771	—	—	43,771	43,771	0.3%	0.3%	0.3%
Ted Zapp	100,596	24,192	29,460	76,404	46,944	0.6%	0.5%	0.3%
All Directors and Executive Officers as a group (14 persons)	9,838,880	4,500,000	675,000	5,223,336	4,559,993	59.4%	31.4%	27.1%

<sup>(1)</sup> Based on shares of common stock outstanding as of January 18, 2013, including 653,963 shares subject to options to purchase our common stock exercisable within the 60 days following January 18, 2013. Ira Zecher, Steve Hislop, Jon Howie, Sharon Russell, Frank Biller, Michael Hatcher and Ted Zapp held options to purchase 1,450, 400,935, 9,787, 90,627, 21,750, 38,787 and 90,627 shares of

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- common stock, respectively, which are exercisable within the 60 days following January 18, 2013. After the offering, Steve Hislop, Sharon Russell and Ted Zapp will hold options to purchase 374,471, 66,435 and 66,435 shares of common stock, respectively, or 230,080, 36,975 and 36,975 shares of common stock, respectively, if the underwriters option to purchase additional shares is exercised in full.
- (2) Represents shares beneficially owned by Goode Partners LLC, our Sponsor. David Oddi, one of our directors, is a member of Goode Investors I, LLC, or GP I, which is the general partner of Goode Partners Consumer Fund I, L.P., or GPCF I, which is the managing member of Goode Chuy's Holdings, LLC and Goode Chuy's Direct Investors LLC. David is also the managing director of our Sponsor, which manages GP I and GPCF I, collectively referred to as the "Goode Entities." David has voting and dispositive power of the shares and may be deemed to indirectly beneficially own the shares held by our Sponsor because of his affiliation with the Goode Entities. The shares exclude an aggregate of 1,118,164 shares that Goode Chuy's Holdings, LLC has the right to vote on behalf of MY/ZP Equity, LP ("MY/ZP Equity"), J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P. pursuant to the terms of the Voting Agreement, which will terminate upon consummation of this offering. The Goode Entities currently have voting power over and are deemed to beneficially own 9,008,559 shares of our common stock, or 56.6%. David disclaims beneficial ownership of the shares held by Goode Chuy's Holdings, LLC and the other parties to the Voting Agreement. The address of our Sponsor is c/o Goode Partners LLC, 767 Third Avenue, 22nd Floor, New York, New York 10017.
- (3) Represents shares beneficially owned by MY/ZP Equity, an entity in which Mike Young and John Zapp, our Founders and directors, are the limited partners. MY/ZP GP, LLC ("MY/ZP GP") is the sole general partner of MY/ZP Equity. Mike, as trustee of the Young Descendants' Trust, and John are the members of MY/ZP GP and each has voting and dispositive power of the shares and may each be deemed to indirectly beneficially own the shares. Both Mike and John disclaim beneficial ownership of the shares held by MY/ZP Equity.
- (4) Represents 220,400 shares beneficially owned by J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC ("CFII III") and 2,226 shares beneficially owned by 522 Fifth Avenue Fund, L.P. ("522 Fund" together with CFII III, the "JPM Funds"). J.P. Morgan Investment Management Inc. ("JPM Investment Management"), a registered investment advisor, controls the voting and disposition of these shares as the owner of the managing member of CFII III and as investment advisor to the 522 Fund. The JPM Funds and JPM Investment Management are affiliated with the following registered broker-dealers: JPMorgan Securities LLC, Chase Investment Services Corp., JPMorgan Distribution Services and J.P. Morgan Institutional Investments Inc. The JPM Funds purchased the securities in the ordinary course of business and at the time of the purchase of the securities to be resold, JPM Funds had no agreements or understandings, directly, or indirectly, with any person to distribute the securities. The address of each of the JPM Funds is c/o J.P. Morgan Investment Management Inc., 270 Park Avenue, New York, New York 10017.
- (5) Joe Ferreira's address is c/o Goode Partners LLC, 767 Third Avenue, 22nd Floor, New York, New York 10017.
- (6) Michael C. Stanley is an employee of our Sponsor. Michael Stanley's address is c/o Goode Partners LLC, 767 Third Avenue, 22nd Floor, New York, New York 10017.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Introduction

This compensation discussion provides an overview of our executive compensation program, together with a description of the material factors underlying the decisions that resulted in the compensation provided to our chief executive officer, chief financial officer and our three other highest paid executive officers during fiscal year 2012 (collectively, the “named executive officers”), as presented in the tables which follow this discussion. This discussion contains statements regarding our performance targets and goals. These targets and goals are disclosed in the limited context of our compensation program and should not be understood to be statements of management’s expectations or estimates of financial results or other guidance. We specifically caution investors not to apply these statements to other contexts.

### Objective of Compensation Policy

The objective of our compensation policy is to provide a total compensation package to each named executive officer that will enable us to:

- attract, motivate and retain outstanding individuals;
- reward named executive officers for performance; and
- align the financial interests of each named executive officer with the interests of our stockholders to encourage each named executive officer to contribute to our long-term performance and success.

Overall, our compensation program is designed to reward both individual and company performance. A significant portion of each of our named executive officers’ annual compensation is comprised of discretionary and performance-based bonuses. While we have not used significant amounts of equity-based compensation in the past, we intend to increase our use of long-term incentives to reward long-term company and individual performance and to promote retention through delayed vesting of awards.

### Administration

Since our acquisition by Goode Partners LLC (our “Sponsor”) in 2006, our board of directors has administered and determined overall compensation for our named executive officers. Under our stockholders agreement, our Sponsor has appointed a majority of the board of directors since 2006. While these rights terminated upon consummation of our IPO, our Sponsor has held a majority of the voting power over our common stock since the IPO. However, upon the consummation of this offering, our Sponsor will no longer hold a majority of the voting power over our common stock and, as a result, we will no longer be able to avail ourselves of the controlled company exception under the Nasdaq Marketplace Rules and will be required to have an independent compensation committee determine our named executive officers’ compensation, subject to the permitted phase-in period. Additionally, after we become subject to Section 162(m) of the Internal Revenue Code (the “Code”), we intend to appoint at least two independent directors to our compensation committee who each qualify as outside directors to the extent necessary to maintain the deductibility of compensation we pay. For more information regarding the implications of Section 162(m), see “—Tax and Accounting Considerations.”

Our compensation committee oversees our executive compensation program and is responsible for approving the nature and amount of the compensation paid to, and any employment and related agreements entered into with our named executive officers. The committee also administers our equity compensation plans and awards.

### Process for Setting Total Compensation

In the past, at the first meeting of each new fiscal year, our board of directors has set annual base salaries, determined the amount of discretionary and performance-based bonuses for the prior year and set performance criteria for our performance-based bonuses for the following year. In making these compensation decisions, our board of directors has considered the recommendations of our chief executive officer, particularly with respect to the performance of our named executive officers.

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When hiring named executive officers, our board of directors has set their compensation based on the individuals position and responsibilities and their compensation package at their previous company. At the time of hire, we have granted equity awards to new executives at a level that the board of directors believes is appropriate to motivate that named executive officer to accomplish the individual goals for their position as well as our company objectives. For new named executive officers, bonuses are pro rated based on the portion of the year during which the executive was employed by us.

During its annual review process, our board of directors has set compensation for each named executive officer at a level we believe is appropriate considering each named executive officer's annual review, level of responsibility, the awards and compensation paid to the named executive officer in past years and progress toward or attainment of previously set personal and corporate goals and objectives, including attainment of financial performance goals and such other factors as the board has deemed appropriate and in our best interests and the best interests of our stockholders. The board has given different weight at different times to different factors for each named executive officer. Our performance criteria are discussed more fully below under the heading “—Bonus Compensation—Performance-Based Bonus.” Other than with respect to our performance-based bonuses, the board has not relied on predetermined formulas or a limited set of criteria when it evaluates the performance of our named executive officers.

Our compensation committee will undertake the same process as our board of directors has in the past. Our chief executive officer will continue to provide recommendations to our compensation committee with respect to salary adjustments, discretionary and performance-based bonus targets and awards and equity incentive awards for the named executive officers that report to him. Our compensation committee will meet with our chief executive officer at least annually to discuss and review his recommendations for compensation of our executive officers, excluding himself. When making individual compensation decisions for our named executive officers, the compensation committee will take many factors into account, including the officer's experience, responsibilities, management abilities and job performance, our performance as a whole, current market conditions and competitive pay levels for similar positions at comparable companies. These factors will be considered by the compensation committee in a subjective manner without any specific formula or weighting.

Our compensation committee is considering engaging a compensation consultant to assist the committee in evaluating its executive compensation program.

### **Elements of Compensation**

Our compensation program for named executive officers consists of the following elements of compensation, each described in greater depth below:

- Base salaries.
- Discretionary and performance-based bonuses.
- Equity-based incentive compensation.
- Severance and change-in-control benefits.
- Perquisites.
- General benefits.
- Employment agreements.

We may, from time to time, enter into written agreements to reflect the terms and conditions of employment of a particular named executive officer, whether at the time of hire or thereafter. We consider entering into these agreements when it serves as a meaningful recruitment and retention mechanism. We currently have employment agreements in place with Messrs. Hislop, Howie, Biller, Hatcher and Zapp and Mrs. Russell. See “—Employment Agreements” for additional information regarding our executive officer's employment agreements.

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### Base Salary

NAME	2012 SALARY(\$) <sup>(1)</sup>
Steve Hislop	395,000
Jon Howie	250,000
Sharon Russell	180,000
Frank Biller	170,000
Michael Hatcher	160,000
Ted Zapp	180,000

<sup>(1)</sup> Represents each officer's annual base salary assuming service with us for the entire fiscal year.

We pay base salaries to attract, recruit and retain qualified employees. Our compensation committee will review and set base salaries of our named executive officers annually. These salary levels are and will continue to be set based on the named executive officer's experience and performance with previous employers and negotiations with individual named executive officers. The compensation committee may increase base salaries each year based on its subjective assessment of our company's and the individual executive officer's performance and each named executive officer's experience, length of service and changes in responsibilities. The weight given such factors by the compensation committee may vary from one named executive officer to another.

In the first quarter of 2012, our named executive officers received an average pay increase of approximately 6%. The board determined that these raises were appropriate in light of company and individual performance, increases in individual responsibilities and the role of salary in our named executive officers' compensation package.

### Bonus Compensation

NAME	PERFORMANCE-BASED BONUS				
	DISCRETIONARY AWARD (\$)	THRESHOLD AWARD (\$)	TARGET AWARD (\$)	MAXIMUM AWARD (\$)	ACTUAL AWARD (\$)
Steve Hislop	1,000	—	197,500	395,000	— <sup>(1)</sup>
Jon Howie	1,000	—	125,000	250,000	— <sup>(1)</sup>
Sharon Russell	1,000	—	54,000	108,000	— <sup>(1)</sup>
Frank Biller	1,000	—	51,000	102,000	— <sup>(1)</sup>
Michael Hatcher	1,000	—	48,000	96,000	— <sup>(1)</sup>
Ted Zapp	1,000	—	54,000	108,000	— <sup>(1)</sup>

<sup>(1)</sup> As of the date of this prospectus, the actual awards for 2012 have not yet been determined. They are expected to be determined in the first quarter of 2013.

#### Performance-Based Bonus

In line with our strategy of rewarding performance, our executive compensation program includes performance-based bonuses to named executive officers. Our board of directors has and our compensation committee intends to continue to establish annual target performance-based bonuses for each named executive officer during the first quarter of the year.

The target and maximum performance-based bonuses have been set at levels our board of directors believes will provide a meaningful incentive to achieve company and individual goals and contribute to our financial performance. In 2012, the target and maximum performance-based bonus that each named executive officer could receive were set at 50% and 100%, respectively, of our Chief Executive Officer's and Chief Financial Officer's annual base salary and 30% and 60%, respectively, of our other named executive officers' annual base salaries. No bonus is paid if actual Company Adjusted EBITDA is 95% or less of budget Company Adjusted EBITDA. To the extent that actual Company Adjusted EBITDA exceeds 95% of budget Company Adjusted EBITDA, the plan provides that we will pay a bonus based on where performance falls on a linear basis between 95% and 100% of budget Company Adjusted



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EBITDA and between 100% and 110% of budget Company Adjusted EBITDA. In each circumstance, the board retained its discretion to adjust the amount paid under the plan based on individual and company circumstances. Our performance-based bonuses are determined based 80% on Company Adjusted EBITDA (as discussed below) and 20% on performance with respect to individual goals, such as improving or maintaining compliance with procedures, reporting and training goals.

If our budget Company Adjusted EBITDA is achieved, each individual will earn 80% of their target bonus. The remaining 20% of target bonus is determined based on the extent to which each named executive officer achieves two to four individual goals for the year.

The Company Adjusted EBITDA portion of this bonus is determined based primarily on the extent to which we achieve our budget Company Adjusted EBITDA goal. Company Adjusted EBITDA is our earnings before interest, taxes, depreciation and amortization plus any loss on sales of asset (less any gain on a sale of assets); banking amendment and legal fees; stock-based compensation; restaurant pre-opening costs; management fees; reimbursable board of directors fees; interest income; and certain non-cash adjustments. For each 1.0% that actual Company Adjusted EBITDA is above or below budget Company Adjusted EBITDA, the percentage of the target they receive will increase by 10% or decrease by 20%, respectively, of the Company Adjusted EBITDA portion of their target bonus. For example, if actual Company Adjusted EBITDA is 1% above budget Company Adjusted EBITDA, the named executive officers will receive 1.1 times 80% of their target bonus. The maximum a named executive officer may receive for Company Adjusted EBITDA performance is 2.0 times 80% of their target bonus. We use our Company Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue, net income and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. We also use our Company Adjusted EBITDA internally to evaluate the performance of our personnel and also as a benchmark to evaluate our operating performance or compare our performance to that of our competitors. The use of our Company Adjusted EBITDA as a performance measure permits a comparative assessment of our operating performance relative to our performance based on our GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. For the portion of the performance-based bonus that is based on the extent of the achievement of company and individual goals, our board has determined the percentage of the goals that were achieved and multiplies that percentage by the amount of the bonus based on those metrics. That bonus amount is then multiplied by the multiplier applied to the Company Adjusted EBITDA portion of the bonus.

Target, maximum and actual performance-based bonuses for 2012 for each of the named executive officers are shown in the table above and in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table. As of the date of this prospectus, the actual awards for 2012 have not yet been determined. They are expected to be determined in the first quarter of 2013. Prior to the consummation of our IPO, we adopted a new cash bonus plan, which complies with Section 162(m) of the Code.

### ***Discretionary Bonus***

While our board of directors has not and our committee does not intend to regularly pay discretionary bonuses, during consideration of compensation for 2011 performance, our board of directors determined to award discretionary bonuses based on each named executive officer's performance and accomplishments during the year. Historically, each of our named executive officers has also received a \$1,000 holiday bonus each December. The discretionary bonuses awarded to our named executive officers in 2012 are set forth in the table above.

In June 2011, we paid a special one-time cash bonus to management that at the time of the bonus held vested options. We granted this bonus in connection with entering into our old credit facility to incentivize them to consummate the refinancing and continue to pursue our performance objectives.

### **Equity Compensation**

We pay equity-based compensation to our named executive officers because it links our long-term results achieved for our stockholders and the rewards provided to named executive officers, thereby ensuring that such officers have a continuing stake in our long-term success.

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Historically, we have granted equity awards to our named executive officers in conjunction with significant transactions and in conjunction with a named executive officer's initial hire or promotion to an executive position. We have provided this equity compensation to reward performance as well as to promote retention through delayed vesting. We believe that by weighting total compensation in favor of discretionary and performance-based bonuses, we have appropriately rewarded individual achievement while at the same time providing incentives to promote company performance. In the future, we plan to increase our use of long-term equity incentives, particularly through grants of stock options under our 2012 Omnibus Equity Incentive Plan (the "2012 Plan"), to further align the interests of our executives with those of stockholders. In addition to stock options, the 2012 Plan provides for the issuance of share appreciation rights, restricted shares, deferred shares, performance shares and other share based awards. In the future, we may consider granting other forms of equity to our named executive officers. For additional information regarding our 2012 Plan, see "—Executive Compensation—2012 Omnibus Equity Incentive Plan."

During 2010, we granted Michael Hatcher stock options for the purchase of up to 16,312 shares of our common stock in connection with his promotion to Vice President of Real Estate Development and to bring his compensation in line with the compensation of our other named executive officers.

We adopted the 2012 Plan as insufficient shares were available under the 2006 Stock Option Plan (the "2006 Plan"), which was adopted in November 2006, in order to provide an incentive to employees selected by the board of directors for participation. In conjunction with our reverse stock split and in accordance with the 2006 Plan, we adjusted the exercise price of and the number of shares subject to our outstanding equity awards to reflect the 2.7585470602469:1 reverse stock split. In connection with the adoption of the 2012 Plan, we terminated the 2006 Plan, and no further awards will be granted under the 2006 Plan. The termination of the 2006 Plan will not affect awards outstanding under the 2006 Plan at the time of its termination and the terms of the 2006 Plan will continue to govern outstanding awards granted under the 2006 Plan.

Options granted after 2006 held by each of the named executive officers (and certain of our other salaried employees) ordinarily vest ratably over a period of five years, subject to the applicable named executive officer remaining employed through each vesting date. The equity awards granted to our named executive officers in 2006 vest with respect to 60%, 20% and 20% of the shares subject to the awards on the third, fourth and fifth anniversaries, respectively, of the date of grant of the awards. We believe that the delayed vesting terms promote retention.

We will make grants of stock options to the current named executive officers and other employees under the 2012 Plan. We will make these grants to the current named executive officers and other employees because we believe that we should provide our employees an opportunity to share in our success provided they continue to contribute to our success.

In 2013, we intend to grant, under the 2012 Plan, options to purchase shares of our common stock to certain executive officers and directors whose previous equity awards have fully vested. These options will vest 20% on each of the next five anniversaries of the grant date. We expect to amortize the fair value of these stock options at the date of grant on a straight line basis over the five-year vesting period applicable to the options beginning on the grant date.

### **Severance and Transaction-Based Benefits**

We currently have employment agreements in place with Messrs. Hislop, Howie, Biller, Hatcher and Zapp and Mrs. Russell that provide termination or severance benefits. We agreed to pay termination or severance benefits in the event of an executive's termination by us without cause as a retention incentive and, in Mr. Howie's case, as a recruitment incentive. We believe this level of severance benefit provides our executives with the assurance of security if their employment is terminated for reasons beyond their control. For additional information on the severance benefits provided under the employment agreements with our executive officers see "—Employment Agreements."

In the event of a termination of one of our named executive officers that does not have an agreement with us regarding termination or severance, any termination or severance benefits would be determined on a case-by-case basis.

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Upon a change in control, our named executive officers' equity awards granted under the 2006 Plan would vest.

The amount each named executive would be entitled to receive in the event of a termination is reported below under the heading "—Potential Payments upon Termination or Change in Control."

### **Perquisites**

In 2012, we provided complimentary dining as a personal-benefit perquisite to named executive officers. The aggregate incremental cost to us of the perquisites received by each of the named executive officers in 2012 did not exceed \$10,000 and, accordingly, this benefit is not included in the Summary Compensation Table below. We provide the named executive officers with complimentary dining privileges at our restaurants. We view complimentary dining privileges as a meaningful benefit to our named executive officers as it is important for named executive officers to experience our products and services in order to better perform their duties for us.

### **General Benefits**

We provide a limited number of personal benefits to our named executive officers. Our named executive officers participate in our health and benefit plans, and are entitled to vacation and paid time off based on our general vacation policies.

The following are standard benefits offered to all of our eligible employees, including the named executive officers.

*Retirement Benefits.* We maintain a tax-qualified 401(k) savings plan. Employees are eligible after one year of service and may defer up to the maximum amount allowable by the IRS.

*Medical, Dental, Life Insurance and Disability Coverage.* Active employee benefits such as medical, dental, life insurance and disability coverage are available to all eligible employees, including our named executive officers.

*Moving Costs.* We will reimburse out-of-pocket moving expenses for eligible executive officers in conjunction with their hiring.

*Other Paid Time Off Benefits.* We also provide vacation and other paid holidays to all employees, including the named executive officers, which we believe are appropriate for a company of our size and in our industry.

### **Employment Agreements**

We entered into employment agreements with Messrs. Hislop, Howie, Biller, Hatcher and Zapp and Mrs. Russell. The employment agreements do not provide for a fixed term.

The employment agreements provide that Messrs. Hislop, Howie, Biller, Hatcher, Zapp and Mrs. Russell, will receive an annual base salary of at least \$366,608, \$250,000, \$162,692, \$149,205, \$167,094 and \$167,094, respectively. Mr. Hislop and Mr. Howie are each eligible to receive a target annual bonus of 50% of their annual base salary, based upon the achievement of goals and objectives determined by our Compensation Committee with a minimum and maximum bonus of 0% and 100% of their annual base salary, respectively. Messrs. Biller, Hatcher and Zapp and Mrs. Russell are each eligible to receive a target annual bonus of 30% of their annual base salary, based upon the achievement of goals and objectives determined by our Compensation Committee with a minimum and maximum bonus of 0% and 60% of their annual base salary respectively. The employment agreements provide that each executive will be eligible to participate in employee plans, including 401(k), medical and dental plans, made available to our other senior executives generally.

Mr. Howie's employment agreement entitled him to receive an option to purchase up to 48,938 shares of the Company's common stock. In satisfaction of this provision of Mr. Howie's employment agreement, on April 10, 2012, we granted Mr. Howie an option to purchase up to 48,938 shares of the Company's common stock. In addition, in connection with his employment agreement, Mr. Howie purchased 8,489 shares of the Company's common stock.

Each employment agreement provides for severance benefits if the executive's employment is terminated without cause (as defined in the employment agreement), subject to the executive's compliance with certain confidentiality, non-compete, non-solicitation and non-disparagement obligations and the execution of a general release of claims.

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In the event Mr. Hislop's employment is terminated without cause, he is entitled to continue to receive his base salary for two years following the termination of his employment. In the event that Mr. Howie's employment is terminated without cause, he is entitled to continue to receive his base salary for one year following the termination of his employment. In the event that the employment of Messrs. Biller, Hatcher and Zapp or Mrs. Russell, is terminated, each is entitled to continue to receive one year's base salary following their termination. In the event of termination, all of our executive officers are entitled to continue to receive the amount that the Company was subsidizing for the executive and his or her dependents' medical and dental insurance coverage during the same period the executive is entitled to continue to receive his or her base salary after his termination.

### **Tax and Accounting Considerations**

U.S. federal income tax generally limits the tax deductibility of compensation we pay to our executive officers to \$1.0 million in the year the compensation becomes taxable to the executive officers. There is an exception to the limit on deductibility for performance-based compensation that meets certain requirements. Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. Rather, we seek to maintain flexibility in how we compensate our executive officers so as to meet a broader set of corporate and strategic goals and the needs of stockholders, and as such, we may be limited in our ability to deduct amounts of compensation from time to time. Accounting rules require us to expense the cost of our stock option grants. Because of option expensing and the impact of dilution on our stockholders, we pay close attention to, among other factors, the type of equity awards we grant and the number and value of the shares underlying such awards.

**Executive Compensation**

**Summary Compensation Table**

NAME & PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OPTION AWARDS (\$) <sup>(1)</sup>	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)	ALL OTHER COMPENSATION (\$) <sup>(3)</sup>	TOTAL COMPENSATION (\$)
Steve Hislop	2012	\$392,316	\$1,000	\$ —	— <sup>(2)</sup>	\$ —	\$ 393,316
President, Chief	2011	366,608	1,000	—	201,200	—	568,808
Executive Officer and	2010	333,280	3,912	—	201,750	—	538,942
Director							
Jon Howie	2012	250,480	1,000	258,393	— <sup>(2)</sup>	—	509,873
Chief Financial Officer	2011	91,383	1,000	—	51,451	—	143,834
Sharon Russell	2012	178,805	1,000	—	— <sup>(2)</sup>	—	179,805
Secretary and Chief	2011	167,094	1,000	—	55,022	—	223,116
Administrative Officer	2010	151,904	1,796	—	55,173	—	208,873
Frank Biller	2012	169,343	1,000	—	— <sup>(2)</sup>	—	170,343
Vice President of	2011	162,692	1,000	—	53,573	—	217,265
Operations, Southeast	2010	156,434	1,699	—	48,428	—	206,561
Region							
Michael Hatcher	2012	159,006	1,000	—	— <sup>(2)</sup>	—	160,006
Vice President of Real	2011	149,205	1,000	—	49,132	—	199,337
Estate and Development	2010	135,641	1,711	79,650	49,266	—	266,268
Ted Zapp	2012	178,805	1,000	—	— <sup>(2)</sup>	—	179,805
Vice President of	2011	167,094	1,000	—	55,022	—	223,116
Operations	2010	151,904	1,796	—	55,173	—	208,873

(1) Represents the aggregate grant date fair value, calculated in accordance with FASB ASC Topic 718, for awards of options. See note 10 to our consolidated financial statements for a discussion of the calculations of grant date fair value.

(2) As of the date of this prospectus, the actual awards for 2012 have not yet been determined. They are expected to be determined in the first quarter of 2013.

(3) All other aggregate compensation is less than \$10,000.

**Grants of Plan-Based Awards**

NAME	GRANT DATE	ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS <sup>(1)</sup>			ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS	EXERCISE OR BASE PRICE OF OPTION AWARDS (\$/SH)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS (\$) <sup>(2)</sup>
		THRESHOLD (\$)	TARGET (\$)	MAXIMUM (\$)			
Steve Hislop	—	—	197,500	395,000	—	—	
Jon Howie	4/10/12	—	125,000	250,000	48,938	13.54	
Sharon Russell	—	—	54,000	108,000	—	—	
Frank Biller	—	—	51,000	102,000	—	—	
Michael Hatcher	—	—	48,000	96,000	—	—	
Ted Zapp	—	—	54,000	108,000	—	—	

(1) As of the date of this prospectus, the actual awards for 2012 have not yet been determined. They are expected to be determined in the first quarter of 2013. See "Executive and Director Compensation—Bonus Compensation—Performance-Based Bonus" for more information on our performance-based bonus program and the minimum, target and maximum awards thereunder.

(2) Represents the aggregate grant date fair value, calculated in accordance with FASB ASC Topic 718, for awards of options. See note 10 to our consolidated financial statements for a discussion of the calculations of grant date fair value.

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### **2012 Omnibus Equity Incentive Plan**

Prior to the completion of our IPO, we adopted the 2012 Plan. The purposes of the 2012 Plan are to provide additional incentives to our management, employees, directors, independent contractors and consultants, to strengthen their commitment, motivate them to faithfully and diligently perform their responsibilities and to attract and retain competent and dedicated persons whose contributions are essential to the success of our business and whose efforts will impact our long-term growth and profitability. To accomplish such purposes, the 2012 Plan provides for the issuance of stock options, share appreciation rights, restricted shares, deferred shares, performance shares and other share-based awards, which we refer to as plan awards.

While we intend to issue plan awards to employees, directors, independent contractors or consultants as a recruiting and retention tool, we have not established specific parameters regarding future grants. Our compensation committee will determine the specific criteria surrounding the grant of plan awards. The following description summarizes the expected features of the 2012 Plan.

#### ***Summary of 2012 Plan Terms***

A total of 1,250,000 shares of common stock are reserved and available for issuance under the 2012 Plan. When Section 162(m) of the Code becomes applicable to us, the maximum aggregate awards that may be granted during any fiscal year to any individual will be 200,000 shares, and in the case of options to acquire shares, with a per share exercise price equal to the grant date fair market value of a share. If the shares underlying any plan award are forfeited, cancelled, exchanged or surrendered or if a plan award otherwise terminates or expires without a distribution of shares, the shares will again become available under the 2012 Plan provided that shares surrendered or withheld as payment of either the exercise price of an award (including shares otherwise underlying an award of a share appreciation right that are retained by us to account for the grant price of such share appreciation right) and/or withholding taxes in respect of an award will no longer be available for grant under the 2012 Plan, and notwithstanding that a share appreciation right is settled by the delivery of a net number of shares of the full number of shares underlying such share appreciation right will not be available for subsequent awards under the 2012 Plan. In addition, awards are paid or settled in cash, the number of shares with respect to which such payment or settlement is made will again be available for grants of awards under the 2012 Plan and shares underlying awards that can only be settled in cash will not be counted against the aggregate number of shares available for awards under the 2012 Plan.

The 2012 Plan will initially be administered by our board of directors, or any committee or subcommittee the board may appoint to administer the 2012 Plan (such person(s), the plan administrator). The plan administrator may construe and interpret the 2012 Plan and may adopt, alter and repeal rules and make all other determinations necessary or desirable to administer the 2012 Plan.

The plan administrator may select the employees, directors, independent contractors and consultants who will receive plan awards, determine the terms and conditions of those awards, including but not limited to the exercise price, the number of shares of common stock subject to awards, the term of the awards, and the vesting schedule applicable to awards. Unless otherwise determined by the plan administrator, all awards that vest solely on a requirement of continued employment or service may not become fully vested prior to the second anniversary of the date upon which the award is granted.

We may issue stock options under the 2012 Plan. All stock options granted under the 2012 Plan are intended to be non-qualified stock options and are not intended to qualify as incentive stock options within the meaning of Section 422 of the Code. The option exercise price of all stock options granted under the 2012 Plan will be determined by the plan administrator, but in no event will the exercise price be less than 100% of the fair market value of the common stock on the date of grant. The term of all stock options granted under the 2012 Plan will be determined by the plan administrator, but may not exceed ten years from the date of grant. Each stock option will be exercisable at such time and subject to such terms and conditions as determined by the plan administrator in the applicable stock option agreement. Other than equitable adjustments made in connection to a change in capitalization, under no circumstances will an exercise price be reduced following the date of the grant of an option, nor will an option be cancelled in exchange for a replacement option with a lower exercise price without stockholder approval.

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Unless the applicable stock option agreement provides otherwise, in the event of an optionee's termination of employment or service for any reason other than for cause, disability or death, such optionee's stock options (to the extent exercisable at the time of such termination) generally will remain exercisable until 30 days after such termination and then expire. Unless the applicable stock option agreement provides otherwise, in the event of an optionee's termination of employment or service due to, disability or death, such optionee's stock options (to the extent exercisable at the time of such termination) generally will remain exercisable until one year after such termination and will then expire. For certain employees, a demotion in position will result in a loss of unvested options. If termination was for any other reason other than for cause, stock options that were not exercisable on the date of termination will expire at the close of business on the date of such termination. In the event of an optionee's termination of employment or service for cause, such optionee's outstanding stock options will expire at the commencement of business on the date of such termination. The plan administrator may waive the vesting requirements based on such factors as the plan administrator deems appropriate.

Share appreciation rights ("SARs") may be granted under the 2012 Plan either alone or in conjunction with all or part of any stock option granted under the 2012 Plan. A free-standing SAR granted under the 2012 Plan entitles its holder to receive, at the time of exercise, the number of shares, or alternate form of payment determined by the plan administrator, equal in value to the excess of the fair market value (at the date of exercise) over a specified price fixed by the plan administrator (which shall be no less than fair market value at the date of grant). A SAR granted in conjunction with all or part of an option under the 2012 Plan entitles its holder to receive, upon surrendering of the related option, the number of shares, or alternate form of payment determined by the plan administrator, equal in value to the excess of the fair market value (at the date of exercise) over the exercise price of the related stock option. The term of all SARs granted under the 2012 Plan will be determined by the plan administrator, but may not exceed ten years from the date of grant. In the event of a participant's termination of employment or service, free-standing SARs will be exercisable at such times and subject to such terms and conditions determined by the plan administrator, while SARs granted in conjunction with all or part of an option will be exercisable at such times and subject to terms and conditions applicable to the related option. Other than equitable adjustments made in connection to a change in capitalization, under no circumstances will an exercise price be reduced following the date of the grant of a SAR, nor will a SAR be cancelled in exchange for a replacement SAR with a lower exercise price without stock holder approval.

Restricted shares, deferred shares and performance shares may be granted under the 2012 Plan. The plan administrator will determine the number of shares to be awarded, the purchase price, vesting schedule and performance objectives, if any, applicable to the grant of restricted shares, deferred shares and performance shares. Participants with restricted shares and performance shares generally have all of the rights of a stockholder and deferred shares generally do not have the rights of a stockholder. However, during the restricted period, deferred shares may be paid dividends on the number of shares covered by the deferred shares if the applicable award agreement so provides. If the performance goals and other restrictions are not satisfied, the restricted shares, deferred shares and/or performance shares will be forfeited in accordance with the terms of the grant. Subject to the provisions of the 2012 Plan and applicable award agreement, the plan administrator has sole discretion to provide for the lapse of restrictions in installments or the acceleration or waiver of restrictions (in whole or part) under certain circumstances, based upon such factors including, but not limited to, the attainment of certain performance goals, a participant's termination of employment or service or a participant's death or disability.

The 2012 Plan also authorizes grants of other share-based awards, such as unrestricted shares, restricted stock units, dividend equivalents or performance units. The plan administrator will determine the terms and conditions of such awards, consistent with the terms of the 2012 Plan, at the date of grant or thereafter, including any performance goals and performance periods.

In the case of awards subject to performance goals, such goal may be based on one or more of the following criteria: (i) earnings, including one or more of operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, adjusted EBITDA, economic earnings, or extraordinary or special items or book value per share (which may exclude nonrecurring items); (ii) pre-tax income or after-tax income; (iii) earnings per share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment, return on capital, or return on equity; (vii) returns on sales or revenues;

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(viii) operating expenses; (ix) share price appreciation; (x) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (xi) implementation or completion of critical projects or processes; (xii) cumulative earnings per share growth; (xiii) operating margin or profit margin; (xiv) cost targets, reductions and savings, productivity and efficiencies; (xv) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation, information technology, and goals relating to acquisitions, divestitures, joint ventures and similar transactions, and budget comparisons; (xvi) personal professional objectives, including any of the foregoing performance goals, the implementation of policies and plans, the negotiation of transactions, the development of long term business goals, formation of joint ventures, research or development collaborations, and the completion of other corporate transactions; and (xvii) any combination of, or a specified increase in, any of the foregoing. Where applicable, a performance goal may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the company or a company affiliate, or a division or strategic business unit of the company, or may be applied to the performance of the company relative to a market index, a group of other companies or a combination thereof, all as determined by the Administrator. The performance goals may include a threshold level of performance below which no payment may be made (or no vesting may occur), levels of performance at which specified payments may be made (or specified vesting may occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting may occur). Each of the foregoing performance goals will determine in accordance with generally accepted accounting principles, as applicable, and may be subject to certification by the committee; provided, that the committee shall have the authority to make equitable adjustments to the performance goals, to the extent permitted under Section 162(m) of the Code, if applicable, in recognition of unusual or non-recurring events affecting the company or any company affiliate thereof or the financial statements of the company or any company affiliate thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles.

In the event of a merger, amalgamation, consolidation, recapitalization, reorganization, stock dividend, stock split or other change in corporate structure affecting the common stock, an equitable substitution or proportionate adjustment shall be made, as may be determined by the plan administrator, in (a) the aggregate number of shares of common stock reserved for issuance under the 2012 Plan and the maximum number of shares of common stock that may be subject to awards granted to any participant in any calendar year, (b) the kind, number and exercise price subject to outstanding stock options and SARs granted under the 2012 Plan, and (c) the kind, number and purchase price of shares of common stock subject to outstanding awards of restricted shares, deferred shares, performance shares or other share-based awards granted under the 2012 Plan. In addition, the plan administrator, in its discretion, may terminate all outstanding awards for the payment of cash or in-kind consideration. However, no adjustment or payment may cause any award under the 2012 Plan that is or becomes subject to Section 409A of the Code to fail to comply with the requirements of that section.

Unless otherwise determined by the plan administrator and evidenced in an award agreement, in the event that a change in control occurs and a participant's employment or service is terminated without cause on or after the effective date of the change in control but prior to 12 months following the change in control, then any unvested or unexercisable portion of any award carrying a right to exercise shall become fully vested and exercisable, and the restrictions, deferral limitations, payment conditions and forfeiture conditions applicable to an award granted under the 2012 Plan will lapse and such unvested awards will be deemed fully vested and any performance conditions imposed with respect to such awards will be deemed to be fully achieved at the target level. Under the 2012 Plan, the term change in control generally means: (a) any person other than the company, any company affiliate or subsidiary, becomes the beneficial owner, directly or indirectly, of securities representing 50% or more of our then-outstanding voting power (excluding shares purchased directly from us or our affiliates); (b) a change in the majority of the membership of our board of directors other than directors approved by two-thirds of the directors (other than directors assuming office in conjunction with an election contest) who constituted the board of directors at the time this offering is consummated, or whose election was previously so approved; (c) the consummation of a merger, amalgamation or consolidation of us or any of our subsidiaries with any other corporation, other than a merger or amalgamation immediately following which our board of directors immediately prior to the merger or amalgamation



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constitute at least a majority of the directors of the company surviving or continuing after the merger or amalgamation or, if the surviving company is a subsidiary, the ultimate parent thereof; or (d) our stockholders approve a plan of complete liquidation or dissolution of our company or there is consummated an agreement for the sale or disposition of all or substantially all of our assets, other than (1) a sale of such assets to an entity, at least 50% of the voting power of which is held by our stockholders following the transaction in substantially the same proportions as their ownership of the company immediately prior to the transaction or (2) a sale or disposition of such assets immediately following which our board of directors immediately prior to such sale constitute at least a majority of the board of directors of the entity to which the assets are sold or disposed, or, if that entity is a subsidiary, the ultimate parent thereof. The completion of our IPO and of this offering is not a change of control under the 2012 Plan.

Until such time as the awards are fully vested and/or exercisable in accordance with the 2012 Plan, awards may not be sold, assigned, mortgaged, hypothecated, transferred, charged, pledged, encumbrance, gifted, transferred in trust (voting or other) or disposed in any other manner, except with the prior written consent of the administrator, which consent may be granted or withheld in the sole discretion of the plan administrator.

The 2012 Plan provides our board of directors with authority to suspend or terminate the 2012 Plan or any award, or revise and amend the 2012 Plan. However, stockholder approval is required for any amendment to the extent it is required to comply with applicable law or stock exchange listing requirements. The 2012 Plan will automatically terminate on the tenth anniversary of the effective date (although awards granted before that time will remain outstanding in accordance with their terms).

The award agreements for the 2012 Plan provide the board of directors and the plan administrator with the sole discretion to cancel or require repayments of awards in the event an award recipient engages in certain conduct deemed harmful to the Company.

### ***United States Federal Income Tax Consequences of Plan Awards***

The following is a summary of certain United States Federal income tax consequences of awards under the 2012 Plan. It does not purport to be a complete description of all applicable rules, and those rules (including those summarized here) are subject to change.

An optionee generally will not recognize taxable income upon the grant of a non-qualified stock option. Rather, at the time of exercise of such non-qualified stock option, the optionee will recognize ordinary income for income tax purposes in an amount equal to the excess of the fair market value of the shares purchased over the exercise price. We generally will be entitled to a tax deduction at such time and in the same amount that the optionee recognizes ordinary income. If shares acquired upon exercise of a non-qualified stock option are later sold or exchanged, then the difference between the amount received upon such sale or exchange and the fair market value of such shares on the date of such exercise will generally be taxable as long-term or short-term capital gain or loss (if the shares are a capital asset of the optionee) depending upon the length of time such shares were held by the optionee.

A participant who is granted a share appreciation right will not recognize ordinary income upon receipt of the share appreciation right. At the time of exercise, however, the participant will recognize compensation income equal to the value of any cash received and the fair market value on the date of exercise of any shares received. We will not be entitled to a deduction upon the grant of a share appreciation right, but generally will be entitled to a compensation deduction for the amount of compensation income the participant recognizes upon the participant's exercise of the share appreciation right. The participant's tax basis in any shares received will be the fair market value on the date of exercise and, if the shares are later sold or exchanged, then the difference between the amount received upon such sale or exchange and the fair market value of the shares on the date of exercise will generally be taxable as long-term or short-term capital gain or loss (if the shares are a capital asset of the participant) depending upon the length of time such shares were held by the participant.

A participant generally will not be taxed upon the grant of a restricted share or performance award, but rather will recognize ordinary income in an amount equal to the fair market value of the shares at the time the shares are no

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longer subject to a substantial risk of forfeiture (within the meaning of the Code). We generally will be entitled to a deduction at the time when, and in the amount that, the participant recognizes ordinary income on account of the lapse of the restrictions. A participant's tax basis in the shares will equal their fair market value at the time the restrictions lapse, and the participant's holding period for capital gains purposes will begin at that time. Any cash dividends paid on the shares before the restrictions lapse will be taxable to the participant as additional compensation (and not as dividend income). Under Section 83(b) of the Code, a participant may elect to recognize ordinary income at the time the restricted or performance shares are awarded in an amount equal to their fair market value at that time, notwithstanding the fact that such shares are subject to restrictions and a substantial risk of forfeiture. If such an election is made, no additional taxable income will be recognized by such participant at the time the restrictions lapse, the participant will have a tax basis in the shares equal to their fair market value on the date of their award, and the participant's holding period for capital gains purposes will begin at that time. We generally will be entitled to a tax deduction at the time when, and to the extent that, ordinary income is recognized by such participant.

In general, the grant of deferred shares will not result in income for the participant or in a tax deduction for us. Upon the settlement of such an award, the participant will recognize ordinary income equal to the aggregate value of the payment received, and we generally will be entitled to a tax deduction in the same amount.

**2006 Stock Option Plan**

In November 2006, we adopted the 2006 Plan. On April 6, 2012, we amended and restated the 2006 Plan to increase the number of shares available for issuance under the plan from 1,004,957 to 1,070,209. On April 10, 2012, we issued options to purchase 63,797 shares. As of April 10, 2012, we were authorized to issue up to 9,192 additional shares of common stock under the 2006 Plan. In connection with the adoption of the 2012 Plan upon the completion of our IPO as described in "—2012 Omnibus Equity Incentive Plan," the board of directors terminated the 2006 Plan effective as of July 27, 2012, and no further awards will be granted under the 2006 Plan after such date. However, the termination of the 2006 Plan will not affect awards outstanding under the 2006 Plan at the time of its termination and the terms of the 2006 Plan will continue to govern outstanding awards granted under the 2006 Plan. The options granted under the 2006 Plan expire 10 years after the date of grant. Subject to the grantee's continued employment with us, options granted on December 6, 2006 vest 60% on the third anniversary of the date of grant and 20% on each of the fourth and fifth anniversary of the date of grant. Subject to the grantee's continued employment with us, all other options granted under the plan vest 20% on each of the first five anniversaries of the date of grant.

**Outstanding Equity Awards at Fiscal Year End**

NAME	OPTION AWARDS			
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE
	EXERCISABLE	UNEXERCISABLE		
Steve Hislop	350,909 <sup>(1)</sup>	— <sup>(1)</sup>	\$ 2.76	07/09/2017
	50,026 <sup>(1)</sup>	— <sup>(1)</sup>	\$ 10.48	07/09/2017
Jon Howie	9,787	39,151 <sup>(2)</sup>	\$ 13.54	04/10/2022
Sharon Russell	90,627	— <sup>(3)</sup>	\$ 2.76	12/06/2016
Frank Biller	16,313	10,875 <sup>(4)</sup>	\$ 5.99	01/01/2019
Michael Hatcher	29,000	— <sup>(3)</sup>	\$ 2.76	12/06/2016
	6,524	9,788 <sup>(5)</sup>	\$ 8.22	01/01/2020
Ted Zapp	90,627	— <sup>(3)</sup>	\$ 2.76	12/06/2016

<sup>(1)</sup> These options were granted on July 9, 2007 and vest 20% on each of the first five anniversaries of the grant date. These stock options became fully vested on July 9, 2012.

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- (2) These options were granted on April 10, 2012 and vest 20% on August 14, 2012 and 20% on each of the next four anniversaries of the first vesting date of August 14, 2012.
- (3) These options were granted on December 6, 2006 and vest 60% on the third anniversary of the grant date and 20% on each of the fourth and fifth anniversaries of the grant date.
- (4) These options were granted on January 1, 2009 and vest 20% on each of the first five anniversaries of the grant date.
- (5) These options were granted on January 1, 2010 and vest 20% on each of the first five anniversaries of the grant date.

### **Potential Payments upon Termination or Change in Control**

#### ***Termination of Employment***

We currently have employment agreements in place with Messrs. Hislop, Howie, Biller, Hatcher and Zapp and Mrs. Russell that would entitle them to severance payments upon termination of employment. For additional information on the severance benefits the executives are entitled to in the event of a termination of employment, see “—Employment Agreements.”

Assuming the employment of our executive officers was terminated by us without cause on December 30, 2012, Messrs. Hislop, Howie, Biller, Hatcher and Zapp and Mrs. Russell would be entitled to \$790,000, \$250,000, \$170,000, \$160,000, \$180,000 and \$180,000, respectively. For information on the severance benefits the executives are entitled to in the event of a termination of employment, under their employment agreements entered into on November 16, 2011, see “—Employment Agreements.”

#### ***Change-in-Control***

Under the 2006 Plan, our named executive officer’s stock options granted under that plan will immediately vest, in the event that (i) we are merged, consolidated or reorganized into or with another corporation and immediately afterwards our current owners no longer own a majority of the outstanding stock of the merged, consolidated or reorganized corporation; (ii) we sell or otherwise transfer all or substantially all of our assets to another corporation; (iii) our Sponsor and its affiliates, for any reason other than an initial public offering, cease to own a majority of our stock; (iv) after a public offering any person becomes, directly or indirectly, the beneficial owner of more than 50% of our stock; and (v) our stockholders approve a plan of complete liquidation or dissolution of the company.

If Messrs. Howie, Biller and Hatcher were terminated following a change in control on December 30, 2012, they would receive \$348,052, \$178,785 and \$139,087, respectively, as a result of the vesting of their unvested stock options. As of December 30, 2012, the closing price of our common stock on the most recent trading day was \$22.43 per share.

### **Director Compensation**

Prior to our IPO, our board of directors did not historically receive compensation. Upon the completion of our IPO, we implemented a compensation plan for our board of directors. Our directors who are also employees do not receive compensation for their services as directors. Directors who are not employees receive an annual cash retainer of \$30,000 and an initial grant of stock options to purchase up to 7,250 shares of our common stock upon joining the board of directors with 20% of such granting vesting on each of the subsequent anniversaries of the date of grant, based on the Black-Scholes method of valuation. Our audit committee chairperson will receive a \$10,000 cash retainer fee. Neither the chairperson of our compensation committee nor the chairperson of our nominating and corporate governance committee will receive a retainer or any direct compensation. We will also reimburse directors for all expenses incurred in attending board meetings.

Our compensation committee is considering engaging a compensation consultant to assist the committee in evaluating its director compensation program.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions that occurred on or were in effect after January 1, 2009 to which we have been a party in which the amount involved exceeded \$120,000 and in which any of our executive officers, directors or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest.

### Voting Agreement

On July 9, 2012, we entered into the Voting Agreement with our Controlling Stockholder, MY/ZP Equity, Goode Chuy's Direct Investors LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund. Pursuant to the Voting Agreement, the parties have agreed to vote or grant us or our Controlling Stockholder a proxy to vote their shares of our common stock (representing an aggregate of 1,340,791 shares after giving effect to the conversion of our preferred stock) for the election of the directors nominated for election by our nominating committee. The Voting Agreement will terminate upon the first to occur of (a) the failure of the parties to hold shares of our common stock representing an aggregate of at least 50.1% of the voting power of the company, (b) the date upon which we are in compliance with the corporate governance standards of the Nasdaq Global Select Market without utilizing exemptions available to a controlled company, (c) January 23, 2014 and (d) termination by the mutual agreement of our Controlling Stockholder and the other parties. We anticipate that the Voting Agreement will terminate upon the consummation of this offering because the parties to the agreement will no longer hold at least 50.1% of the voting power of the company.

### 2012 Stock Repurchase

On April 6, 2012, we repurchased a total of 1,655,662 shares of our capital stock. We repurchased from the following capital stock in the amounts and from the parties set forth below (as adjusted for the elimination of fractional interests):

- 1,394,973 shares of series A preferred stock from our Sponsor for aggregate consideration of \$18,894,171;
- 151,897 shares of series B preferred stock and 11,025 shares of series X preferred stock from MY/ZP Equity, LP for aggregate consideration of \$2,206,696;
- 40,502 shares of series X preferred stock from Goode Chuy's Direct Investors, LLC for aggregate consideration of \$548,575;
- 40,502 shares of series X preferred stock from JPM Funds for aggregate consideration of \$548,575; and
- 1,134 shares of series X preferred stock and 15,624 shares of common stock from Steve Hislop for aggregate consideration of \$226,975.

### 2010 Stock Sale

In May 2010, we sold an aggregate of 607,680 shares of series X preferred stock at a price of \$8.22 per share to Goode Chuy's Direct Investors LLC, an affiliate of Goode Partners LLC (our "Sponsor"), Steve Hislop, Frank Biller, MY/ZP Equity, LP, an entity controlled by Michael Young and by John Zapp (jointly, our "Founders"), J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P., who purchased 263,129, 7,368, 2,425, 71,630, 260,498 and 2,631 shares, respectively. For a description of the rights, preferences, privileges and restrictions of our series X preferred stock, see "Description of Capital Stock—General."

In December 2010, we sold 9,969 shares of our common stock at a price per share of \$10.04 for an aggregate purchase price of \$100,048 to Ted Zapp and Sharon Russell and 4,984 shares of our common stock at a price per share of \$10.04 for an aggregate purchase price of \$50,024 to Michael Hatcher.

In August 2011, we sold 8,489 shares of our common stock at a price per share of \$11.78 for an aggregate purchase price of \$100,003 to Jon Howie.

We entered into right to repurchase agreements with Ted Zapp, Sharon Russell, Michael Hatcher and Jon Howie in connection with the sales of our common stock. The Company, at its option, has the exclusive right to repurchase these shares, at the fair market value as determined by our Board of Directors, within 12 months of the employees' termination. For further information on the rights, preferences, privileges and restrictions of our common stock, see "Description of Capital Stock—Common Stock."

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### **Purchase of Common Stock by our Executives**

Pursuant to options to purchase our common stock granted in conjunction with joining the company, we sold 101,503 shares of our common stock at a price of \$2.76 per share for a total of \$280,000 to Steve Hislop in May 2008, and 33,411 shares of our common stock at a price of \$5.99 per share for an aggregate purchase price of \$200,000 to Frank Biller in April 2009. We entered into a right to repurchase agreement with Frank Biller in connection with this sale of our Common Stock. The Company, at its option, has the exclusive right to repurchase these shares, at the fair market value, as determined by our Board of Directors, within 12 months of Mr. Biller's termination. For further information on the rights, preferences, privileges and restrictions of our common stock, see "Description of Capital Stock—Common Stock."

### **Acquisition Related Transactions**

On November 7, 2006, we were acquired by our Sponsor. In connection with the consummation of our acquisition by our Sponsor, we entered into a number of agreements that are described below. As noted below, with respect to a number of the agreements, the approximate dollar value of the related person's interest in the particular agreement is not determinable. The agreements are described below because they are part of a series of transactions entered into between us and our Sponsor and our Founders and their respective affiliates. In connection with the consummation of our acquisition by our Sponsor, we entered into the following agreements:

#### ***Stockholders Agreement***

In November 2006, we entered into a stockholders agreement with Goode Chuy's Holdings, LLC (our "Controlling Stockholder"), MY/ZP Equity, LP, the Founders and directors of our company, and certain option holders with the right to acquire shares of our common stock. In May 2010, we amended and restated the stockholders agreement in conjunction with the sale of our series X preferred stock to add Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P., the new stockholders resulting from that sale. In the May 2010 amendment and restatement, we also added Steve Hislop and Frank Biller, who purchased shares of common stock in April 2009, as parties thereto. The stockholders agreement contains certain agreements amongst our stockholders regarding matters of corporate governance and transactions in our common stock. In connection with the consummation of our IPO, certain provisions of the stockholders agreement related to transfer restrictions, tag along rights, drag along rights, right of first offer, participation rights and corporate governance provisions, such as the one regarding the election of directors, terminated in accordance with the terms of the agreement. For further discussion of the stockholders agreement, see "Description of Capital Stock—Registration Rights" in this prospectus.

#### ***Advisory Agreement***

We entered into an advisory agreement (the "Advisory Agreement") in November 2006 with our Sponsor, pursuant to which our Sponsor agreed to provide us with certain financial advisory services. In exchange for these services, we paid to our Sponsor a one-time transaction fee of \$450,000 and an aggregate annual management fee of \$350,000. We also reimbursed our Sponsor for out-of-pocket expenses incurred in connection with the provision of services pursuant to the agreement. On March 21, 2012, upon the completion of the amendment to our old credit facility, we and our Sponsor terminated the Advisory Agreement in exchange for a termination fee of \$2.0 million. The agreement included customary exculpation and indemnification provisions in favor of the Sponsor and its respective affiliates which will survive the termination of this Advisory Agreement.

#### ***Bonus Payments and Related Note Payable to Founders***

In conjunction with the Sponsor's investment, the Sponsor implemented a retention bonus plan in November 2006. Under the plan, \$7.0 million was to be paid to employees. We paid \$2.1 million in bonuses in each of the first and second year of the plan and \$700,000 in the third year of the plan. In addition, we paid an additional \$0.2 million in payroll taxes. After the third year, Three Star Management, Ltd., an entity in which each of Michael Young and John Zapp own 49.5% and Three Star Management GP, in which Michael Young and John Zapp each own 50%, as general partner owns 1% and MY/ZP IP Group, Ltd., ("MY/ZP IP"), an entity owned 50% by each of our Founders, took over the payment of these bonuses. We made a note payable to Three Star Management, Ltd., to cover the remaining bonus payments. This Note bore interest at 15.00% per annum and required principal and interest payments of \$77,778 per month commencing on September 1, 2009 through maturity in November 2011, with initial payments allocated to accrued interest.

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### ***Purchase of Arbor Trails Restaurant***

In November 2006, the Arbor Trails location was under development by our Founders. As part of the total purchase price for Chuy's Comida Deluxe, Inc., we agreed to a contingent amount based on the future cash flow of the Arbor Trails location. Specifically, we entered into a letter agreement with Three Star Management, Ltd. and MY/ZP IP Group GP, LLC with respect to the development of our Arbor Trails location under which we agreed to purchase the operations of the Arbor Trails location and to lease that location from an entity affiliated with our Founders. A portion of the purchase price was contingent on the future operating profit of Arbor Trails. The contingent purchase price element was to be based on four times the trailing twelve-month restaurant level cash flow. In November 2009, we paid our Founders \$3,781,835 and recorded \$409,335 in property and equipment and the remaining \$3,372,500 was recorded in goodwill. In conjunction with the purchase of the Arbor Trails operations, in April 2008, we entered into a lease for the Arbor Trails location with an affiliate of our Founders.

### ***Default License Letter Agreements***

We entered into letter agreements in November 2006 with respect to the properties that we lease from Young/Zapp GP, LLC ("Young/Zapp"), an entity owned 50% by each of our Founders, and its subsidiaries. Pursuant to these letter agreements, if we default under our lease agreements with Young/Zapp and terminate possession of the lease location, Young/Zapp may operate a Tex Mex or Mexican food restaurant in that location. However, they may not use our trademarks or trade names or confusingly similar trademarks or tradenames. The approximate dollar value of this agreement was not determinable.

### ***Intellectual Property***

***Banana Peel Software.*** In November 2006, we entered into the Banana Peel Software License Agreement with Banana Peel, LLC, an entity in which Michael Young, John Zapp and Sharon Russell each own 25% of the company. The agreement grants us a non-exclusive royalty-free license to use the software for our restaurants and to receive any updates or upgrades to the software. Banana Peel, LLC has agreed to license its software to our Sponsor or any of its controlled entities upon our request. The approximate dollar value of this agreement was not determinable.

***Recipe License Agreement.*** We entered into the recipe license agreement with MY/ZP IP in November 2006 to allow the use of certain of our recipes by MY/ZP IP at Shady Grove, Inc. ("Shady Grove"), a restaurant owned by our Founders and directors of our company. Shady Grove is a restaurant that serves all-American and Southwestern cuisine, such as hamburgers, sandwiches, fries, queso, cheese sticks and chili, and for which we provide management and administrative services pursuant to a management agreement with Three Star Management, Ltd. For additional information on our management agreement with Three Star Management, Ltd., see "—Management Agreement." The approximate dollar value of this agreement was not determinable.

### ***Management Agreement***

We entered into a management agreement in November 2006 with Three Star Management, Ltd. to provide management services, such as administrative, accounting and human resources support, to Shady Grove. In consideration of the services we provide to Shady Grove, Three Star Management, Ltd. agreed to pay us a monthly fee of \$10,000, a pro rata share of the wages and expenses incurred to provide the services and the reimbursement of reasonable out-of-pocket expenses. Due to a reduction in the locations receiving management services, we agreed to reduce the fee to a \$10,000 quarterly payment.

### ***Management System License Agreement***

In November 2006, we entered into a management system license agreement with MY/ZP IP to allow the use of certain of our handbooks, personnel training materials and other materials relating to our business know-how and personnel management know-how by Shady Grove and in any other endeavors of MY/ZP IP, subject to certain conditions. The approximate dollar value of this agreement was not determinable.

### ***Cross-Marketing License Agreement***

In November 2006, we entered into a cross-marketing license agreement with MY/ZP IP to allow Shady Grove to market our brand at Shady Grove and allow us to market Shady Grove at our locations. Some cross-promotional activities include selling pre-printed cups, t-shirts, calendars, and birthday cards and co-branding our website and menus. The approximate dollar value of this agreement was not determinable.

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### **Parade Sponsorship Agreement**

We entered into a parade sponsorship agreement in November 2006 with MY/ZP IP to obtain the right to sponsor, manage and operate the “Chuy’s Children Giving To Children Parade” and to use MY/ZP IP’s trademark in connection with the parade. In addition, we granted MY/ZP IP a limited license to use the Chuy’s name in their trademark “Chuy’s Children Giving To Children Parade.” The approximate dollar value of this agreement was not determinable.

### **Loan Agreement with our Chief Executive Officer**

In conjunction with hiring and relocating of our Chief Executive Officer, Steve Hislop, in 2007, we agreed to lend Mr. Hislop the amount of his home mortgage payments on his prior residence as he was unable to sell the home when he relocated. Amounts paid for Mr. Hislop’s mortgage accrue interest at 8% per annum. With respect to the loans in fiscal 2010, 2009 and 2008, Mr. Hislop repaid a principal amount of \$107,145, \$105,930 and \$97,839, respectively and interest of \$7,363, \$5,526 and \$3,540, respectively. During fiscal 2011, we lent \$44,952 under this agreement and \$2,983 interest accrued. In June 2011, Mr. Hislop repaid all outstanding principal and interest under the loan and we agreed to terminate the loan agreement.

### **Leases**

We lease our corporate office space as well as our North Lamar, River Oaks, Highway 183, Round Rock, Shenandoah and Arbor Trails properties from subsidiaries of Young/Zapp, a company owned 47.5% by each of our Founders and 5.0% by Sharon Russell. In 2012, we paid Young/Zapp \$112,598, \$229,912, \$434,778, \$490,676, \$457,046, \$288,476, and \$308,548, which includes rent and a percentage of gross sales in excess of our base rent, with respect to our headquarters, North Lamar, River Oaks, Hwy 183, Round Rock, Shenandoah and Arbor Trails locations, respectively. In 2011, we paid Young/Zapp \$112,598, \$222,019, \$439,296, \$421,914, \$441,226, \$276,071 and \$308,548, which includes rent and a percentage of gross sales in excess of our base rent, with respect to our headquarters, North Lamar, River Oaks, Hwy 183, Round Rock, Shenandoah and Arbor Trails locations, respectively. In 2010, we paid Young/Zapp \$108,000, \$200,603, \$445,225, \$401,624, \$413,323, \$275,529 and \$293,865, which includes rent and a percentage of gross sales in excess of our base rent, with respect to our headquarters, North Lamar, River Oaks, Hwy 183, Round Rock, Shenandoah and Arbor Trails locations, respectively. In 2009, we paid Young/Zapp \$108,000, \$199,558, \$457,515, \$389,597, \$393,064, \$267,985 and \$292,658, which includes rent and a percentage of gross sales in excess of our base rent, with respect to our headquarters, North Lamar, River Oaks, Hwy 183, Round Rock, Shenandoah and Arbor Trails locations, respectively.

### **Settlement Agreement**

In June 2011, in connection with the departure of William C. Shackelford, a former director, we entered into a settlement agreement with Mr. Shackelford and his affiliates and our Sponsor with respect to Mr. Shackelford’s option, dated December 6, 2006, to purchase up to 30,209 shares of our common stock. Prior to the date of the settlement agreement, Mr. Shackelford exercised and purchased 30,209 shares of common stock pursuant to this option. The settlement agreement provided, among other things, that with respect to Mr. Shackelford, we would pay him \$52,896, his pro rata share of the special dividend paid to our stockholders in May 2011, waive our right to repurchase the shares he purchased pursuant to his option and grant him a one-time put option for \$14.48 per share for the shares he purchased pursuant to his option exercisable from June 15, 2012 to August 13, 2012. In connection with this settlement agreement, we also paid \$175,000 to Mr. Shackelford. We and our Sponsor also agreed to allow Mr. Shackelford to sell his shares as a selling stockholder in the IPO; however, Mr. Shackelford waived that right. Following the IPO, he was not subject to any restrictions on his ability to sell his shares. The put option expired on August 13, 2012.

### **Indemnification Agreements**

We expect to enter into indemnification agreements with each of our directors and executive officers. Each indemnification agreement will provide that, subject to limited exceptions, and among other things, we will

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indemnify the director or executive officer to the fullest extent permitted by law for claims arising in his or her capacity as our director or officer. See "Management—Limitations of Liability and Indemnification of Directors and Officers" for a general description of these agreements.

### **Related Party Transactions Policy**

We intend to adopt a written policy relating to the approval of related party transactions. Our audit committee will review certain financial transactions, arrangements and relationships between us and any of the following related parties to determine whether any such transaction, arrangement or relationship is a related party transaction:

- any of our directors, director nominees or executive officers;
- any beneficial owner of more than 5% of our outstanding stock; and
- any immediate family member of any of the foregoing.

Our audit committee will review any financial transaction, arrangement or relationship that:

- involves or will involve, directly or indirectly, any related party identified above and is in an amount greater than \$120,000;
- would cast doubt on the independence of a director;
- would present the appearance of a conflict of interest between us and the related party; or
- is otherwise prohibited by law, rule or regulation.

The audit committee will review each such transaction, arrangement or relationship to determine whether a related party has, has had or expects to have a direct or indirect material interest. Following its review, the audit committee will take such action as it deems necessary and appropriate under the circumstances, including approving, disapproving, ratifying, cancelling or recommending to management how to proceed if it determines a related party has a direct or indirect material interest in a transaction, arrangement or relationship with us. Any member of the audit committee who is a related party with respect to a transaction under review will not be permitted to participate in the discussions or evaluations of the transaction; however, the audit committee member will provide all material information concerning the transaction to the audit committee. The audit committee will report its action with respect to any related party transaction to the board of directors.



## DESCRIPTION OF CAPITAL STOCK

The following discussion is a summary of the terms of our capital stock, our amended and restated certificate of incorporation and bylaws and certain applicable provisions of Delaware law. Copies of our amended and restated certificate of incorporation and bylaws are exhibits to the registration statement of which this prospectus is a part.

### **General**

Our authorized capital stock consists of 60,000,000 shares of common stock, par value \$0.01, of which 15,993,275 shares are issued and outstanding (assuming the exercise by certain selling stockholders of stock options under the Amended and Restated 2006 Stock Plan to purchase 74,848 shares of common stock that will be sold in this offering) and 15,000,000 shares of preferred stock, par value \$0.01, none of which are issued and outstanding. Prior to the completion of this offering, we will have approximately 14 holders of record of our common stock. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street name" or persons, partnerships, associates, corporations, or the entities in security position listings maintained by depositories.

### **Common Stock**

#### ***Voting Rights***

The holders of our common stock are entitled to one vote per share on any matter to be voted upon by stockholders. Our certificate of incorporation does not provide for cumulative voting in connection with the election of directors, and accordingly, holders of more than 50% of the shares voting will be able to elect all of the directors. The holders of a majority of the shares of common stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy constitute a quorum at all meetings of the shareholders for the transaction of business.

#### ***Dividends***

The holders of our common stock are entitled to dividends our board of directors may declare, from time to time, from funds legally available therefore, subject to the preferential rights of the holders of our preferred stock, if any, and any contractual limitations on our ability to declare and pay dividends.

#### ***Other Rights***

No holder of our common stock has any preemptive right to subscribe for any shares of our capital stock issued in the future.

Upon any voluntary or involuntary liquidation, dissolution, or winding up of our affairs, the holders of our common stock are entitled to share ratably in all assets remaining after payment of creditors and subject to prior distribution rights of our preferred stock, if any.

### **Preferred Stock**

No shares of our preferred stock are outstanding. Our amended and restated certificate of incorporation provides that our board of directors may, by resolution, establish one or more classes or series of preferred stock having the number of shares and relative voting rights, designations, dividend rates, liquidation, and other rights, preferences, and limitations as may be fixed by them without further stockholder approval. The holders of our preferred stock may be entitled to preferences over common stockholders with respect to dividends, liquidation, dissolution, or our winding up in such amounts as are established by the resolutions of our board of directors approving the issuance of such shares.

The issuance of our preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the holders and may adversely affect voting and other rights of holders of our common stock. In addition, issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could make it more difficult for a third party to acquire a majority of the outstanding shares of voting stock. At present, we have no plans to issue any shares of preferred stock.

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### **Registration Rights**

The following describes the registration rights of certain of our stockholders under our stockholders agreement. In addition to the rights described below, certain provisions of our stockholders agreement terminated in connection with our IPO, including certain provisions of the stockholders agreement related to transfer restrictions, tag along rights, drag along rights, right of first offer, participation rights and corporate governance provisions.

#### ***Demand Registration Rights***

At any time and from time to time following the consummation of a qualified initial public offering our Controlling Stockholder, its affiliates and its permitted transferees, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors, III, LLC and 522 Fifth Avenue Fund, L.P., will be able to require us to use our reasonable best efforts to register their common stock under the Securities Act (subject to certain exceptions). In addition, following the consummation of a qualified initial public offering and upon the earlier of (a) the second anniversary of the qualified initial public offering or (b) the six month anniversary of a demand by one of the stockholders listed above, MY/ZP Equity, LP may make one written request for registration under the Securities Act.

#### ***Form S-3 Registration Rights***

When we become qualified to file registration statements on Form S-3, any party which may demand registration of their securities, may request that the registration be made on Form S-3. However, we are not required to register securities on Form S-3 more than twice in one year.

#### ***Piggyback Registration Rights***

If we propose to register any of our own securities under the Securities Act in a public offering, we will be required to provide notice to our Controlling Stockholder, its affiliates and its permitted transferees, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors, III, LLC, 522 Fifth Avenue Fund, L.P., MY/ZP Equity, LP, Steve Hislop, Frank Biller, option holders, or any of their permitted transferees relating to the registration and provide them with the right to include their shares in the registration statement. These piggy-back registration rights are subject to certain exceptions set forth in the stockholders agreement. Pursuant to the terms of the stockholders agreement, we obtained waivers of these piggy back registration rights from our stockholders with respect to the offering described in this prospectus.

#### ***Expenses of Registration***

We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares of our common stock held by our Controlling Stockholder or other holders of our capital stock with registration rights under our stockholders agreement.

#### ***Termination of Registration Rights***

Pursuant to the stockholders agreement, our stockholders' registration rights will terminate at such time as our stockholders are eligible to sell their shares pursuant to Rule 144, cease to hold our securities (or hold rights to acquire our securities) or as otherwise terminated pursuant to the written agreement of the parties thereto.

### **Anti-takeover Provisions**

#### ***Delaware Anti-Takeover Law***

We are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by

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written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and any entity or person affiliated with or controlling or controlled by the entity or person.

### ***Certificate of Incorporation and Bylaw Provisions***

Provisions of our certificate of incorporation and bylaws, each as amended and restated, may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our certificate of incorporation and bylaws:

- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer, the majority of our board of directors; and
- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

### **Transfer agent and registrar**

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

### **Listing**

Our shares of common stock are listed on the Nasdaq Global Select Market under the symbol "CHUY."

## DESCRIPTION OF INDEBTEDNESS

### New Revolving Credit Facility

On November 30, 2012, we entered into a \$25.0 million secured revolving credit facility (the "new revolving credit facility") with our subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender, and lender. Our new revolving credit facility also provides for letters of credit and swingline loans each in an amount equal to the lesser of \$5.0 million or the available borrowings under our new revolving credit facility. On the same date, we borrowed \$5.0 million under our new revolving credit facility to repay the approximately \$5.0 million of debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. In connection with the repayment of the approximately \$5.0 million of debt outstanding under our old credit facility, we terminated our old credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility. Our new revolving credit facility will mature on November 30, 2017, unless we exercise our option to voluntarily reduce all of the commitment before the maturity date.

Under our new revolving credit facility, we may request to increase the size of our new revolving credit facility by up to \$25.0 million, in minimum principal amounts of \$5.0 million or the remaining amount of the \$25.0 million if less than \$5.0 million (the "Incremental Revolving Loan"), which Incremental Revolving Loan will be effective after 10 days written notice to the agent. In the event that any of the lenders fund the Incremental Revolving Loan, the terms and provisions of the Incremental Revolving Loan will be the same as under our new revolving credit facility.

All borrowings under our new revolving credit facility except for swingline borrowings will bear interest at a variable rate based, at our election, on (i) the base rate (which is the highest of the prime rate, federal funds rate plus 0.50% or one month LIBOR) plus 1%, or (ii) LIBOR, plus, in either case, an applicable margin based on our consolidated total lease adjusted leverage ratio. Our new revolving credit facility also provides for commitment fees that accrue on the daily unused commitment of the lender at the applicable margin, which varies based on our consolidated total lease adjusted leverage ratio. Swingline borrowings will bear interest at a variable rate based on the base rate plus an applicable margin based on our consolidated total lease adjusted leverage ratio. Our consolidated total lease adjusted leverage ratio is calculated by adding our indebtedness plus the product of our rental expense for the preceding four quarters multiplied by eight divided by our EBITDAR, as calculated under our new revolving credit facility, for the preceding four quarters. We have elected a variable rate of interest based on LIBOR. As of January 18, 2013, our interest rate was 2.1%. Interest is due at the end of each quarter if we select to pay interest based on the base rate and at the end of each LIBOR period (which shall be a period of one, two, three or six months as specified to the agent by us or, if agreed by all lenders, any other period of twelve months or less) if we select to pay interest based on LIBOR.

Our new revolving credit facility is (i) jointly and severally guaranteed by us and each of our subsidiaries and any future subsidiaries that execute the new revolving credit facility as a guarantor and (ii) secured by a first priority lien on substantially all of our and our subsidiaries' assets excluding any permit, lease, license, contract or other instrument in which a grant of lien is prohibited.

Our new revolving credit facility requires us to comply with certain financial tests, including:

- a maximum consolidated total lease adjusted leverage ratio as of the last day of any quarter until December 28, 2014 of 4.00:1.00 and as of the last day of any quarter from March 29, 2015 until maturity of 3.50:1.00; and
- a minimum consolidated fixed charge ratio as of the last day of any quarter of 2.00:1.00.

In addition, our new revolving credit facility contains other customary negative covenants limiting, among other things, additional indebtedness; additional liens; investments; mergers, acquisitions and consolidations; the sale of assets and stock; the declaration or payment of dividends, except subsidiaries may declare and pay a dividend to us; affiliate transactions; accounting changes; organizational document changes; further negative pledges; other restrictive agreements; and changes to the nature of our business. Our new revolving credit facility also contains customary events of default, including principal and interest payment defaults; breaches of representations and

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warranties; covenant defaults; defaults under other agreements relating to our new revolving credit facility; defaults in the payment of other indebtedness in an aggregate amount in excess of \$2.0 million or the performance of agreements relating to other indebtedness in an aggregate amount in excess of \$2.0 million; a change in control; events of bankruptcy; failure of any security document relating to our new revolving credit facility to be in full force and effect; and certain other occurrences which result in liabilities of over \$2.0 million to us. If an event of default occurs, the lenders may, among other remedies, terminate the commitments under our new revolving credit facility and require the immediate repayment of all outstanding borrowings and the cash collateralization of all outstanding letters of credit under our new revolving credit facility.

### **The Old Credit Facility**

On May 24, 2011, our wholly owned subsidiary, Chuy's Opco, Inc., entered into a \$67.5 million senior secured credit facility (the "old credit facility") with GCI Capital Markets LLC, as administrative agent and sole bookrunner, General Electric Capital Corporation, as syndication agent, and a syndicate of financial institutions and other entities. The old credit facility provided for (a) a revolving credit facility, (b) a Term A Loan, (c) a delayed draw Term B Loan, and (d) an incremental term loan. Except for the incremental term loan, all borrowings under our old credit facility bore interest at a variable rate based on prime, federal funds or LIBOR plus an applicable margin based on our total leverage ratio. Interest was due at the end of each month if Chuy's Opco, Inc. had selected to pay interest based on the Index Rate or at the end of each LIBOR period if Chuy's Opco, Inc. had selected to pay interest based on LIBOR. On March 21, 2012, we entered into a credit facility amendment to increase the available amount under our old credit facility from \$67.5 million to \$92.5 million and borrowed the additional \$25.0 million under our Term A Loan facility. We used the net proceeds from our IPO and additional Company funds to repay approximately \$79.4 million of the Company's loans outstanding under the old credit facility. The total outstanding debt under our old credit facility after the repayment was approximately \$5.0 million. As of September 23, 2012, we had approximately \$10.5 million of unused commitments under our old credit facility. We elected a variable rate of interest based on LIBOR under our Term A Loan. Prior to this election, we paid a fixed rate of 10.0%. Following this election, our interest rate became 8.5%. Based on the prepayment of \$79.4 million under our old credit facility, using the net proceeds from our IPO, our effective interest rate decreased to 7.0% on October 22, 2012.

### **The Revolving Credit Facility**

The revolving credit facility allowed Chuy's Opco, Inc. to borrow up to \$5.0 million including a \$500,000 sublimit for letters of credit. The unpaid balance of the revolving credit facility was required to be paid by May 24, 2016 or sooner if an event of default occurred thereunder. As of September 23, 2012, we had approximately \$5.0 million of availability under our revolving credit facility.

### **Term A Loan**

The Term A Loan was a \$77.5 million term loan facility, which was scheduled to mature in May 2016. Quarterly principal payments of \$131,250 commenced on December 31, 2011 with the entire unpaid balance due at maturity on May 24, 2016 or sooner if an event of default occurred thereunder. In connection with the credit facility amendment, we borrowed an additional \$25.0 million bringing the total outstanding borrowings under the Term A Loan facility to \$77.5 million. Effective March 31, 2012, we were required to make principal payments of \$193,750 each quarter with the entire unpaid balance due at maturity on May 24, 2016 or sooner if an event of default occurs thereunder. At September 23, 2012, we had an outstanding balance of approximately \$5.0 million under our Term A Loan, which was repaid in full with borrowings under our new revolving credit facility.

### **Delayed Draw Term B Loan**

The delayed draw Term B Loan was a \$10.0 million term loan facility, which may be drawn upon after 30 days notice to the lenders prior to May 24, 2013. The entire unpaid balance of the delayed draw Term B Loan was scheduled to mature on May 24, 2016 or sooner if an event of default occurs thereunder. At September 23, 2012, we had approximately \$5.5 million of unused commitments under our delayed draw Term B Loan.

### **Incremental Term Loan**

Chuy's Opco, Inc. was permitted to request up to four incremental term loans of amounts of not more than \$5.0 million, and in an increment of \$5.0 million in excess thereof, but not to exceed \$20.0 million in the aggregate for all such incremented term loans, which could have been drawn upon after 30 days written notice to the agent and any lender agreeing to fund an incremental loan. In the event that any lenders had funded any of the

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incremental term loans, the terms and provisions of each incremental term loan, including the interest rate, would have been determined by Chuy's Opco, Inc. and the lenders, but the terms and provisions of the applicable incremental term loan could not have been more favorable to any lender providing any portion of such incremental term loan than the terms and provisions of the loans provided under the old revolving credit facility, the Term A Loan and the delayed draw Term B Loan.

### **Other Terms of the Old Credit Facility**

The old credit facility was (i) jointly and severally guaranteed by us and each of our subsidiaries and (ii) secured by a first priority lien on substantially all of our and our subsidiaries' assets excluding any lease, license, contract or agreement in which a grant of a lien is prohibited.

Our old credit facility, as amended, required us to comply with certain financial tests, including:

- a maximum capital expenditures limitation per year in an aggregate amount of \$22.0 million in 2012, \$24.9 million in 2013, \$27.7 million in 2014, \$28.1 million in 2015 and \$13.3 million for the remaining term of the loan in 2016; provided, however, that any unutilized portion of such capital expenditures, may be utilized in the immediately succeeding year limited to 50% of the total maximum expenditure amount of the previous year;
- a minimum fixed charge coverage ratio for the four quarters then ended on or about September 30, 2012 of not less than 2.10:1.00, which ratio varies from 2.10:1.00 to 2.00:1.00 over the remaining term of the loan;
- a maximum total leverage ratio for the four quarters then ended on or about September 30, 2012 of not more than 2.75:1.00;
- a maximum lease adjusted leverage ratio for the four quarters then ended on or about September 30, 2012 of not more than 6.20:1.00, which ratio varies from 6.20:1.00 to 5.30:1.00 over the term of the loan.

In addition, our old credit facility contained customary financial and non-financial covenants limiting, among other things, mergers and acquisitions; investments, loans and advances; employee loans and affiliate transactions; changes to capital structure and the business; additional guaranteed indebtedness, additional liens; the declaration or payment of dividends, except subsidiaries may declare and pay a dividend to us; and the sale of stock and assets. Our old credit facility contained customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, defaults under other material debt, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the old credit facility to be in full force and effect, and a change of control of our business.

Our old credit facility required that if we issued stock in an initial public offering, we had to make a mandatory prepayment under our Term A Loan in the amount sufficient to reduce our total leverage ratio (as defined in our old facility) to 2.00:1.00.

We used the following amounts of the net proceeds from our old credit facility as follows:

- approximately \$20.8 million to repay all outstanding loans and accrued and unpaid interest, servicing fees, commitment fees and letter of credit fees under our credit facility with Wells Fargo Capital Finance, Inc.;
- approximately \$10.1 million to repay the outstanding principal, interest and expenses under our credit facility with HBK Investments L.P.;
- approximately \$1.6 million to pay the expenses of the lenders; and
- approximately \$20.0 million to pay a dividend of \$19.0 million to our preferred stockholders and other special one-time cash bonus payments to certain members of Chuy's Opco, Inc.'s management.

On March 21, 2012, we entered into a credit facility amendment to increase the available amount under our old credit facility from \$67.5 million to \$92.5 million. In connection with the amendment, we borrowed an additional \$25.0 million under the Term A Loan facility under our old credit facility. We used the net proceeds from the amendment and the additional borrowings under the Term A Loan facility as follows:

- approximately \$22.4 million to repurchase shares of our common stock, series A preferred stock, series B preferred stock, and series X preferred stock on April 6, 2012;
- approximately \$2.0 million to pay the termination fee to terminate the advisory agreement with our Sponsor; and

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- approximately \$0.6 million to pay transaction costs related to the credit facility amendment and the stock repurchase.

As of September 23, 2012, approximately \$5.0 million principal amount of loans were outstanding under our old credit facility. On November 30, 2012, we entered into a \$25.0 million secured revolving credit facility (the "new revolving credit facility") and borrowed \$5.0 million thereunder to repay all the debt outstanding under our old credit facility and to pay fees and expenses associated with our new revolving credit facility. As of January 18, 2013, we had \$5.0 million of outstanding indebtedness under our new revolving credit facility.

### **Note Payable to Founders**

In conjunction with our acquisition by Goode Partners LLC, Chuy's Opco, Inc. entered into a promissory note in the amount of \$1.3 million in favor of Three Star Management, Ltd. The note bore interest at 15.00% per annum and required principal and interest payments of \$77,778 per month commencing on September 1, 2009 through maturity in November 2011, with initial payments allocated to accrued and unpaid interest. As of November 2011, the note payable to our founders was paid in full.

### **Previous Financing Arrangements**

In 2006, Chuy's Opco, Inc. entered into a credit agreement with each of Wells Fargo Capital Finance, Inc. and HBK Investments L.P. as administrative agents to, among other things, finance the acquisition of the restaurants owned by Michael Young and John Zapp, pay the related fees and expenses of the acquisition and provide funds for the operation of Chuy's Opco, Inc. These loans were repaid in their entirety using the proceeds from our old credit facility.

#### ***Wells Fargo Credit Facility***

Our wholly owned subsidiary and its subsidiaries entered into two term loans, term loan A and a new unit term loan, each in the amount of \$5.0 million. At Chuy's Opco, Inc.'s request, and if certain requirements were met, the new unit term loan could be increased by up to \$10.0 million. The term loan A bore interest at a variable rate based on the prime rate or LIBOR plus an applicable margin. Our interest rate under the term loan A immediately prior to repayment of the loan on May 24, 2011 was 8.25%. Principal payments of \$62,500 and interest payments were due monthly under our Term A Loan and all unpaid principal and accrued and unpaid interest was due at maturity in November 2011. The new unit term loan bore interest at a variable rate based on the prime rate or LIBOR plus an applicable margin. Our interest rate under the new unit term loan immediately prior to repayment of the loan on May 24, 2011 was 9.0%. Interest payments under the new unit term loan were required to be paid monthly and all unpaid principal and accrued and unpaid interest was due at maturity in November 2011. The term loan A and the new unit term loan required the maintenance of a minimum EBITDA, a minimum fixed charge coverage ratio, a maximum leverage ratio and capital expenditure limitations and were guaranteed by us.

Under the same credit facility, our wholly owned subsidiary, Chuy's Opco, Inc., and its subsidiaries entered into a revolving line of credit that provided for borrowings and letters of credit of up to \$5.0 million through maturity in November 2011. Interest was payable monthly at LIBOR plus 3.0%. Immediately prior to repayment of the loan on May 24, 2011, our interest rate was 8.25%. The revolving line of credit required the maintenance of a minimum EBITDA, a minimum fixed charge coverage ratio, a maximum leverage ratio and capital expenditure limitations and was guaranteed by us. Available borrowing capacity on the revolving line of credit on March 27, 2011 was \$1.5 million.

#### ***HBK Credit Facility***

Our wholly owned subsidiary, Chuy's Opco, Inc., and each of its subsidiaries entered into a \$10.0 million term loan facility with HBK Investments L.P. as administrative agent. This term loan bore interest at a variable rate based on prime, federal funds or LIBOR plus an applicable margin. Immediately prior to repayment of the loan on May 24, 2011, our interest rate was 14%. Interest was due monthly, with all unpaid principal and accrued and unpaid interest due at maturity in November 2011. This loan required the maintenance of a minimum EBITDA, a minimum fixed charge coverage ratio, a maximum leverage ratio and a maximum of capital expenditures. It was secured by a second lien on substantially all of our assets and was guaranteed by us.

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**Other Financing Information**

As of September 23, 2012, we had no financing transactions, arrangements or other relationships with any unconsolidated entities or related parties except with entities controlled by our founders Michael Young and John Zapp. Additionally, we had no financing arrangements involving synthetic leases or trading activities involving commodity contracts.

In the longer term, we will explore other options to raise capital, including but not limited to, renegotiating our senior credit facilities, public or private equity or other debt financing.



## SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of common stock, including shares issued upon the exercise of outstanding options, in the public market or the possibility of these sales occurring, could adversely affect prevailing market prices or our ability to raise equity capital in the future.

Upon completion of this offering, 15,993,275 shares of common stock will be outstanding, assuming no exercise of options after January 18, 2013 (other than the exercise by selling stockholders of options to purchase 74,848 shares of common stock to be sold in this offering). The 6,708,332 shares sold in our IPO, which includes 874,999 shares sold to cover overallocments, 30,209 other shares and the 4,500,000 shares sold in this offering by the selling stockholders will be freely tradable unless purchased by our "affiliates" as that term is defined in Rule 144 under the Securities Act. Except as set forth below, the 4,754,734 other shares of common stock outstanding after this offering will be "restricted securities" as that term is defined in Rule 144 under the Securities Act and are subject to lock-up agreements. These remaining shares will generally become available for sale in the public market as follows:

- no restricted shares will be eligible for immediate sale upon the closing of this offering; and
- 4,754,734 shares will be eligible for sale upon expiration of the lock-up agreements 90 days after the date of this prospectus, assuming no extension pursuant to the lock-up agreements.

### Rule 144

In general, under Rule 144 as currently in effect, a person or persons who is an affiliate, or whose shares are aggregated and who owns shares that were acquired from the issuer or an affiliate at least six months ago, would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of (i) 1% of our then outstanding common shares, which would be approximately 159,933 common shares immediately after this offering, or (ii) an amount equal to the average weekly reported volume of trading in our common shares on all national securities exchanges and/or reported through the automated quotation system of registered securities associations during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC. Sales in reliance on Rule 144 are also subject to other requirements regarding the manner of sale, notice and availability of current public information about us.

A person or persons whose common shares are aggregated, and who is not deemed to have been one of our affiliates at any time during the 90 days immediately preceding the sale, may sell restricted securities in reliance on Rule 144(b)(1) without regard to the limitations described above, subject to our compliance with Exchange Act reporting obligations for at least three months before the sale, and provided that six months have expired since the date on which the same restricted securities were acquired from us or one of our affiliates, and provided further that such sales comply with the current public information provision of Rule 144 (until the securities have been held for one year). As defined in Rule 144, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, that same issuer.

### Lock-up Agreements

We, our directors and executive officers, and all of the selling stockholders have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which we and each of these persons or entities, with limited exceptions, for a period of 90 days after the date of the final prospectus, may not, without the prior written consent of the underwriters, (1) offer, pledge, announce the intention to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any of our common shares (including, without limitation, common shares which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common shares or such other securities, in cash or otherwise. These lock-up restrictions may be extended in specified circumstances and are subject to exceptions specified in the lock-up agreements. See "Underwriting."

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**Registration Rights**

Upon the closing of this offering, the holders of 4,675,518 shares of common stock will be entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up arrangement described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act (except for shares held by affiliates) immediately upon the effectiveness of this registration. Any sales of securities by these stockholders could adversely affect the trading price of our shares of common stock. See "Description of Capital Stock—Registration Rights."

**Equity Incentive Plan**

We intend to file with the SEC registration statements under the Securities Act covering the shares of common stock subject to outstanding stock options granted under our equity incentive plans. The registration statements are expected to be filed and become effective as soon as practicable after the closing of this offering. Accordingly, shares registered under the registration statements will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations applicable to our affiliates and the lock-up agreements described above.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES FOR NON-U.S. HOLDERS

### General

The following is a discussion of the material U.S. federal income tax consequences of the acquisition, ownership, and disposition of our common stock by a non-U.S. holder, as defined below, that acquires our common stock pursuant to this offering. This discussion assumes that a non-U.S. holder will hold our common stock issued pursuant to this offering as a capital asset within the meaning of Section 1221 of the Code. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of the investor's individual circumstances. In addition, this discussion does not address (i) U.S. federal non-income tax laws, such as gift or estate tax laws, (ii) state, local or non-U.S. tax consequences, (iii) the special tax rules that may apply to certain investors, including, without limitation, banks, insurance companies, financial institutions, controlled foreign corporations, passive foreign investment companies, broker-dealers, grantor trusts, personal holding companies, taxpayers who have elected mark-to-market accounting, tax-exempt entities, regulated investment companies, real estate investment trusts, a partnership or other entity or arrangement classified as a partnership for United States federal income tax purposes or other pass-through entities, or an investor in such entities or arrangements, or U.S. expatriates or former long-term residents of the United States, (iv) the special tax rules that may apply to an investor that acquires, holds, or disposes of our common stock as part of a straddle, hedge, constructive sale, conversion or other integrated transaction, or (v) the impact, if any, of the alternative minimum tax.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable U.S. Treasury Regulations promulgated thereunder, judicial opinions, and published rulings of the Internal Revenue Service, or the IRS, all as in effect on the date of this prospectus and all of which are subject to differing interpretations or change, possibly with retroactive effect. We have not sought, and will not seek, any ruling from the IRS or any opinion of counsel with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

As used in this discussion, the term "U.S. person" means a person that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation (or other entity taxed as a corporation) created or organized (or treated as created or organized) in the United States or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (B) it has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person. As used in this discussion, the term "non-U.S. holder" means a beneficial owner of our common stock (other than a partnership or other entity treated as a partnership or as a disregarded entity for U.S. federal income tax purposes) that is not a U.S. person.

The tax treatment of a partnership and each partner thereof will generally depend upon the status and activities of the partnership and such partner. A holder that is treated as a partnership for U.S. federal income tax purposes or a partner in such partnership should consult its own tax advisor regarding the U.S. federal income tax consequences applicable to it and its partners of the acquisition, ownership and disposition of our common stock.

THIS DISCUSSION IS ONLY A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL ESTATE AND GIFT TAX LAWS, AND ANY APPLICABLE TAX TREATY.

## **Income Tax Consequences of an Investment in Common Stock**

### ***Distributions on Common Stock***

If we pay cash or distribute property to holders of shares of common stock, such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the holder's adjusted tax basis in our common stock. Any remaining excess will be treated as gain from the sale or exchange of the common stock and will be treated as described under "—Gain or Loss on Sale, Exchange or Other Taxable Disposition of Common Stock" below.

Dividends paid to a non-U.S. holder that are not effectively connected with the non-U.S. holder's conduct of a trade or business in the United States generally will be subject to withholding of U.S. federal income tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. A non-U.S. holder that wishes to claim the benefit of an applicable tax treaty withholding rate generally will be required to (i) complete IRS Form W-8BEN (or other applicable form) and certify under penalties of perjury that such holder is not a U.S. person and is eligible for the benefits of the applicable tax treaty or (ii) if our common stock is held through certain foreign intermediaries, satisfy the relevant certification requirements of applicable U.S. Treasury Regulations. These forms may need to be periodically updated.

A non-U.S. holder eligible for a reduced rate of withholding of U.S. federal income tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their own tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty (including, without limitation, the need to obtain a U.S. taxpayer identification number).

Dividends that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States, and, if required by an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States, are subject to U.S. federal income tax on a net income basis at the U.S. federal income tax rates generally applicable to a U.S. holder and are not subject to withholding of U.S. federal income tax, provided that the non-U.S. holder establishes an exemption from such withholding by complying with certain certification and disclosure requirements. Any such effectively connected dividends (and, if required, dividends attributable to a U.S. permanent establishment or fixed base) received by a non-U.S. holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to an additional branch profits tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty.

### ***Gain or Loss on Sale, Exchange or Other Taxable Disposition of Common Stock***

Any gain recognized by a non-U.S. holder on a sale or other taxable disposition of our common stock generally will not be subject to U.S. federal income tax, unless:

- (i) the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base of the non-U.S. holder),
- (ii) the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met, or
- (iii) we are or have been a United States real property holding corporation, or aUSRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held the common stock, and, in the case where the shares of our common stock are regularly traded on an established securities market, the non-U.S. holder holds or held (at any time during the shorter of the five-year period ending on the date of disposition or the non-U.S. holder's holding period) more than 5% of our common stock. A corporation generally is aUSRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We do not believe that we currently are aUSRPHC, and do not expect to become aUSRPHC.

Any gain recognized by a non-U.S. holder that is described in clause (i) or (iii) of the preceding paragraph generally will be subject to tax at the U.S. federal income tax rates generally applicable to a U.S. person, and the non-U.S.

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holder will generally be required to file a U.S. tax return. Such non-U.S. holders are urged to consult their tax advisors regarding the possible application of these rules. Any gain of a corporate non-U.S. holder that is described in clause (i) above may also be subject to an additional branch profits tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder that is described in clause (ii) of such paragraph generally will be subject to a flat 30% tax (or a lower applicable tax treaty rate) on the U.S. source capital gain derived from the disposition, which may be offset by U.S. source capital losses during the taxable year of the disposition.

### **Information Reporting and Backup Withholding**

We generally must report annually to the IRS and to each non-U.S. holder of our common stock the amount of dividends paid to such holder on our common stock and the tax, if any, withheld with respect to those dividends. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement. Information reporting also is generally required with respect to the proceeds from sales and other dispositions of our common stock to or through the U.S. office (and in certain cases, the foreign office) of a broker.

Under some circumstances, U.S. Treasury Regulations require backup withholding of U.S. federal income tax, currently at a rate of 28%, on reportable payments with respect to our common stock. A non-U.S. holder generally may eliminate the requirement for information reporting (other than in respect to dividends, as described above) and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that a holder is a U.S. person.

Backup withholding is not a tax. Rather, the amount of any backup withholding will be allowed as a credit against a non-U.S. holder's U.S. federal income tax liability, if any, and may entitle such non-U.S. holder to a refund, provided that certain required information is timely furnished to the IRS. Non-U.S. holders should consult their own tax advisors regarding the application of backup withholding and the availability of and procedure for obtaining an exemption from backup withholding in their particular circumstances.

### **Additional Withholding Tax on Payments Made to Foreign Accounts**

Withholding taxes may be imposed under the Foreign Account Tax Compliance Act ("FATCA") to certain types of payments made to "foreign financial institutions" (as defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" (as defined in the Code) or to a "nonfinancial foreign entity" (as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities (as defined in the Code), annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders. The U.S. Department of the Treasury is in the process of negotiating intergovernmental agreements with a number of jurisdictions that would alter the application of some of these requirements for some entities organized under the laws of or resident in such jurisdictions. The above rules will apply to payments of dividends on our common stock made on or after January 1, 2014 and to payments of gross proceeds from the sale or other disposition of such stock on or after January 1, 2017. Prospective investors should consult their tax advisors regarding these withholding provisions.

## UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement to be dated on or about \_\_\_\_\_, 2013, between us, the selling stockholders and the underwriters named below, the selling stockholders have agreed to sell to the underwriters and the underwriters have severally agreed to purchase from the selling stockholders the number of shares of common stock indicated in the table below:

<b>UNDERWRITER</b>	<b>NUMBER OF SHARES</b>
Jefferies & Company, Inc.	
Robert W. Baird & Co. Incorporated	
KeyBanc Capital Markets Inc.	
Raymond James & Associates, Inc.	
Stephens Inc.	
Total	<u>4,500,000</u>

Jefferies & Company, Inc. and Robert W. Baird & Co. Incorporated are acting as joint book-running managers of this offering and as representatives of the underwriters named above. The selling stockholders may be deemed underwriters with respect to the shares they are offering.

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We and the selling stockholders have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that they currently intend to make a market in our common stock. However, the underwriters are not obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for our common stock.

The underwriters are offering the common stock subject to their acceptance of the stock from the selling stockholders and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. In addition, the underwriters have advised us that they do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

### Commission and Expenses

The underwriters have advised us that they propose to offer the common stock to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of \$ \_\_\_\_\_ per share. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of \$ \_\_\_\_\_ per share to certain brokers and dealers. After the offering, the public offering price, concession and reallowance to dealers may be reduced by the representative. No such reduction will change the amount of proceeds to be received by the selling stockholders as set forth on the cover page of this prospectus.

The following table shows the public offering price, the underwriting discounts and commissions that the selling stockholders will pay the underwriters, and the proceeds, before expenses, to the selling stockholders in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

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	PER SHARE		TOTAL	
	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES
Public offering price	\$	\$	\$	\$
Underwriting discounts and commissions paid by the selling stockholders	\$	\$	\$	\$
Proceeds to the selling stockholders	\$	\$	\$	\$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$550,000. We have agreed to pay the expenses associated with this offering other than the underwriting discounts and commissions.

### **Listing**

Our common stock is listed on the Nasdaq Global Select Market under the trading symbol "CHUY."

### **Option to Purchase Additional Shares**

The selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of 675,000 additional shares. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above.

### **No Sales of Similar Securities**

We, our officers, directors and holders of substantially all our outstanding capital stock and other securities will agree, subject to specified exceptions, not to directly or indirectly:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-(h) under the Securities Exchange Act of 1934, as amended; or
- otherwise dispose of any common stock, options or warrants to acquire common stock, or securities exchangeable or exercisable for or convertible into common stock currently or hereafter owned either of record or beneficially; or
- publicly announce an intention to do any of the foregoing for a period of 90 days after the date of this prospectus without the prior written consent of Jefferies & Company, Inc. and Robert W. Baird & Co. Incorporated.

This restriction will terminate after the close of trading of the common stock on and including the 90 days after the date of this prospectus subject to certain exceptions.

Jefferies & Company, Inc. and Robert W. Baird & Co. Incorporated may, in their sole discretion and at any time or from time to time before the termination of the 90-day period, without public notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our stockholders who will execute a lock-up agreement, providing consent to the sale of our stock prior to the expiration of the lock-up period.

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### **Stabilization**

The underwriters have advised us that, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in the offering may engage in transactions, including overallocation, stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of our common stock at a level above that which might otherwise prevail in the open market. Overallocation involves syndicate sales in excess of the offering size, which creates a syndicate short position. Establishing short sales positions may involve either “covered” short sales or “naked” short sales.

“Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market, as compared to the price at which they may purchase shares through the option to purchase additional shares.

“Naked” short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of our common stock. A syndicate covering transaction is the bid for or the purchase of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter’s purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we, the selling stockholders nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

### **Electronic Distribution**

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters’ web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

### **Affiliations**

The underwriter and certain of its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and certain of their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative



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securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. The underwriters and certain of their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Selling Restrictions**

*European Economic Area.* In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offers contemplated in this prospectus will be deemed to have represented, warranted and agreed to and with each underwriter and us that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State, other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) to persons who are investment professionals falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 or in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

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**Disclosure of the Securities and Exchange Commission's Position on Indemnification for Securities Act Liabilities**

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## LEGAL MATTERS

Jones Day, Dallas, Texas, will pass upon the validity of our shares of common stock offered by this prospectus. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP.

## EXPERTS

The consolidated financial statements appearing in this prospectus have been audited by McGladrey LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to our shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Some items are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the shares of common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are summaries of the material terms of this contract, agreement or other document. With respect to each of these contracts, agreements or other documents filed as an exhibit to the registration statement, reference is made to the exhibits for a more complete description of the matter involved. You can read our SEC filings, including the registration statement and the exhibits and schedules thereto, at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, N.E., Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

We are subject to the informational requirements of the Exchange Act and are required to file annual, quarterly and special reports, proxy statements and other information with the SEC. You are able to inspect and copy these reports and other information at the public reference facilities maintained by the SEC at the address noted above. You are also able to obtain copies of this material from the Public Reference Room as described above, or inspect them without charge at the SEC's website. We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by our independent registered public accounting firm. We maintain a website at [www.chuys.com](http://www.chuys.com). Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and you should not rely on any such information in making your decision whether to purchase our securities.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
Chuy's Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Chuy's Holdings, Inc. and Subsidiaries as of December 26, 2010 and December 25, 2011, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 25, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial 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 Chuy's Holdings, Inc. and Subsidiaries as of December 26, 2010 and December 25, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 25, 2011 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 16 to the accompanying consolidated financial statements, Chuy's Holdings, Inc. effected a reverse stock split on July 11, 2012.

/s/ McGladrey LLP

Dallas, Texas

May 16, 2012, except for Note 16, as to which the date is July 11, 2012

**CHUY'S HOLDINGS, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

(In thousands, except share and per share data)

	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 23, 2012 (unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 3,337	\$ 2,827	\$ 3,561
Accounts receivable	403	447	498
Note receivable	115	—	—
Lease incentives receivable	4,036	2,100	3,779
Inventories	413	617	597
Prepaid expenses and other current assets	954	1,034	1,524
<b>Total current assets</b>	<b>9,258</b>	<b>7,025</b>	<b>9,959</b>
Property and equipment, net	32,113	48,114	63,576
Other assets and intangible assets, net	1,302	3,192	2,082
Deferred offering costs	—	1,638	—
Tradenname	21,900	21,900	21,900
Goodwill	24,069	24,069	24,069
<b>Total assets</b>	<b>\$ 88,642</b>	<b>\$ 105,938</b>	<b>\$ 121,586</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 1,878	\$ 2,082	\$ 2,104
Accrued liabilities	5,062	7,765	9,585
Deferred lease incentives	350	723	995
Current maturities of long-term debt	1,107	713	775
<b>Total current liabilities</b>	<b>8,397</b>	<b>11,283</b>	<b>13,459</b>
Deferred tax liability, less current portion	1,459	2,676	3,565
Accrued deferred rent	237	1,045	1,728
Deferred lease incentives, less current portion	7,956	10,388	13,784
Long-term debt, less current maturities	29,625	54,487	4,219
<b>Total liabilities</b>	<b>47,674</b>	<b>79,879</b>	<b>36,755</b>
Commitments and contingencies			
<b>Temporary equity:</b>			
Common stock subject to put options, 30,209 shares at December 25, 2011	—	432	—
<b>Stockholders' equity:</b>			
Common stock, \$0.01 par value; 11,818,345 shares authorized and 169,805, 208,505 shares issued and outstanding at December 26, 2010, December 25, 2011, respectively; 60,000,000 shares authorized and 15,918,427 shares issued and outstanding at September 23, 2012	2	2	159
Convertible preferred stock, \$0.01 par value; 10,657,252 shares authorized, issued and outstanding at December 26, 2010, December 25, 2011; liquidation preference of \$33,339 and \$15,799 at December 26, 2010, December 25, 2011, respectively; 15,000,000 shares authorized and no shares issued or outstanding at September 23, 2012	107	107	—
Paid-in capital	36,134	23,978	80,230
Retained earnings	4,725	1,540	4,442
<b>Total stockholders' equity</b>	<b>40,968</b>	<b>25,627</b>	<b>84,831</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 88,642</b>	<b>\$ 105,938</b>	<b>\$ 121,586</b>

See Notes to Consolidated Financial Statements

**CHUY'S HOLDINGS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Income**

(In thousands, except share and per share data)

	YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011 (unaudited)	SEPTEMBER 23, 2012 (unaudited)
Revenue	\$ 69,394	\$ 94,908	\$ 130,583	\$ 97,321	\$ 125,960
Costs and expenses:					
Cost of sales	18,196	25,626	36,139	27,122	33,764
Labor	21,186	30,394	41,545	30,565	40,295
Operating	10,482	14,292	19,297	14,249	17,810
Occupancy	4,314	5,654	7,622	5,558	7,536
General and administrative	4,617	5,293	7,478	5,611	6,419
Advisory agreement termination fee	—	—	—	—	2,000
Settlement with former director	—	—	245	245	—
Marketing	533	655	964	733	954
Restaurant pre-opening	1,673	1,959	3,385	2,568	2,914
Depreciation and amortization	1,549	2,732	4,448	3,141	4,672
Total costs and expenses	62,550	86,605	121,123	89,792	116,364
Income from operations	6,844	8,303	9,460	7,529	9,596
Interest expense	3,114	3,584	4,362	3,134	5,451
Income before income taxes	3,730	4,719	5,098	4,395	4,145
Income tax expense	1,077	1,428	1,634	1,248	1,243
Net Income	2,653	3,291	3,464	3,147	2,902
Undistributed earnings allocated to participating interests	2,620	5,617	3,423	3,110	2,171
Net income (loss) available to common stockholders	\$ 33	\$ (2,326)	\$ 41	\$ 37	\$ 731
Net earnings (loss) per share—basic	\$ 0.26	\$ (17.18)	\$ 0.21	\$ 0.20	\$ 0.21
Net earnings (loss) per share—diluted	\$ 0.25	\$ (17.18)	\$ 0.20	\$ 0.20	\$ 0.19
Weighted-average shares outstanding—basic	126,218	135,392	191,166	181,117	3,539,732
Weighted-average shares outstanding—diluted	10,638,514	135,392	10,852,651	10,845,694	11,501,870

See Notes to Consolidated Financial Statements.

**CHUY'S HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
(In thousands, except share and per share data)

	COMMON STOCK		CONVERTIBLE PREFERRED STOCK		PAID-IN CAPITAL	(ACCUMULATED DEFICIT) RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT			
Balance,							
December 28, 2008	101,503	\$ 1	10,049,572	\$ 101	\$ 29,807	\$ (1,219)	\$ 28,690
Stock-based compensation		—		—	235	—	235
Sale of stock	33,411	—		—	200	—	200
Deferred compensation contributed by stockholder		—		—	142	—	142
Net income		—		—	—	2,653	2,653
Balance,							
December 27, 2009	134,914	1	10,049,572	101	30,384	1,434	31,920
Stock-based compensation		—		—	310	—	310
Sale of stock	34,892	1	607,680	6	5,344	—	5,351
Deferred compensation contributed by stockholder		—		—	96	—	96
Net income		—		—	—	3,291	3,291
Balance,							
December 26 2010	169,806	2	10,657,252	107	36,134	4,725	40,968
Stock-based compensation		—		—	352	—	352
Non-cash settlement with former director		—		—	70	—	70
Dividends declared and paid		—		—	(12,361)	(6,649)	(19,010)
Sale of stock and exercise of stock options	38,699	—		—	183	—	183
Temporary equity related to put option		—		—	(432)	—	(432)
Deferred compensation contributed by stockholder		—		—	32	—	32
Net income		—		—	—	3,464	3,464
Balance,							
December 25, 2011	208,505	2	10,657,252	107	23,978	1,540	25,627
Stock-based compensation—(unaudited)		—		—	252	—	252
Purchase of Stock—(unaudited)	(15,627)	—	(1,640,035)	(17)	(22,457)	—	(22,474)
Sale of common stock from initial public offering, net of fees and expenses— (unaudited)	6,708,332	67		—	78,025	—	78,092
Expiration of put option reclassified from temporary equity—(unaudited)		—		—	432	—	432
Conversion of convertible preferred stock to common stock—(unaudited)	9,017,217	90	(9,017,217)	(90)	—	—	—
Net income—(unaudited)		—		—	—	2,902	2,902
Balance, September 23, 2012—(unaudited)	<u>15,918,427</u>	<u>\$ 159</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 80,230</u>	<u>\$ 4,442</u>	<u>\$ 84,831</u>

See Notes to Consolidated Financial Statements.



**CHUY'S HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011 (unaudited)	SEPTEMBER 23 2012 (unaudited)
Cash flows from operating activities:					
Net Income	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	1,549	2,732	4,448	3,141	4,672
Amortization of loan origination costs	188	188	363	275	241
Write-off of loan costs associated with paydown of long-term debt	—	—	—	—	1,581
Stock-based compensation	235	310	352	263	252
Deferred compensation contributed by shareholder	142	96	32	30	—
Non-cash settlement with former director	—	—	70	70	—
Loss on disposal of property and equipment	13	51	44	17	21
Amortization of deferred lease incentives	(44)	(241)	(620)	(456)	(620)
Deferred income taxes	882	1,218	1,198	997	889
Changes in operating assets and liabilities:					
Accounts receivable	135	(188)	(44)	104	(51)
Inventories	(100)	(107)	(204)	(43)	20
Prepaid expenses and other current assets	(312)	(43)	(80)	(69)	(490)
Lease incentives receivable	(1,074)	(2,962)	1,936	2,478	(1,679)
Lease origination costs	(178)	(227)	(152)	(114)	(103)
Accounts payable	152	217	204	(240)	22
Accrued liabilities	850	754	2,767	3,042	3,266
Deferred lease incentives	1,928	6,663	3,425	2,325	4,288
Deferred compensation	(727)	—	—	—	—
Net cash provided by operating activities	6,292	11,752	17,203	14,967	15,211
Cash flows from investing activities:					
Acquisition of property and equipment	(11,613)	(16,370)	(20,452)	(15,464)	(20,118)
Acquisition of other assets	(183)	(272)	(345)	(226)	(319)
Net proceeds on note receivable	(10)	(4)	115	115	—
Payment of contingent purchase price	(3,782)	—	—	—	—
Net cash used in investing activities	(15,588)	(16,646)	(20,682)	(15,575)	(20,437)

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	YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011 (unaudited)	SEPTEMBER 23 2012 (unaudited)
Cash flows from financing activities:					
Payments on long-term debt	(750)	(1,232)	(28,482)	(28,330)	(77,006)
Borrowings on long-term debt	9,300	1,300	52,500	52,500	29,500
Dividend payments	—	—	(19,010)	(19,010)	—
Purchase of stock	—	—	—	—	(22,474)
Proceeds from sale of common stock, net of underwriting fees	200	5,351	183	83	81,104
Deferred offering costs	—	—	(875)	(281)	(2,137)
Borrowings under revolving line of credit	1,000	2,500	3,700	—	2,250
Payments under revolving line of credit	—	(1,750)	(3,250)	(2,250)	(4,950)
Loan origination costs	—	—	(1,797)	(1,797)	(327)
Net proceeds provided by financing activities	9,750	6,169	2,969	915	5,960
Net increase (decrease) in cash and cash equivalents	454	1,275	(510)	307	734
Cash and cash equivalents, beginning of period	1,608	2,062	3,337	3,337	2,827
Cash and cash equivalents, end of period	\$ 2,062	\$ 3,337	\$ 2,827	\$ 3,644	\$ 3,561
Supplemental cash flow disclosures:					
Interest paid	\$ 2,825	\$ 3,700	\$ 4,060	\$ 2,108	\$ 4,094
Income taxes paid	\$ 147	\$ 197	\$ 317	\$ 305	\$ 366
Deferred offering costs not yet paid	\$ —	\$ —	\$ 763	\$ 796	\$ —
Deferred offering costs paid in 2011 reclassified to equity	\$ —	\$ —	\$ —	\$ —	\$ 875

See Notes to Consolidated Financial Statements.

**CHUY'S HOLDINGS, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**(Information Related to September 23, 2012 and to the Thirty-nine weeks ended September 25, 2011 and September 23, 2012 is unaudited)**

(Amounts in thousands, except share and per share data)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Business***

Chuy's Holdings, Inc., a Delaware corporation (the "Company"), through its wholly owned subsidiary, Chuy's Opco, Inc., owns and operates restaurants in Texas and eight states in the Southeastern and Midwestern United States. All of the Company's restaurants operate under the name Chuy's. The Company had 17, 23, 31 and 38 restaurants, as of December 27, 2009, December 26, 2010, December 25, 2011 and September 23, 2012, respectively.

Chuy's was founded in Austin, Texas in 1982 by Michael Young and John Zapp, (the "Founders") and, prior to 2006, operated as Chuy's Comida Deluxe, Inc. ("Chuy's"). The Company was incorporated and acquired Chuy's in November 2006. Goode Chuy's Holdings, LLC, an affiliate of Goode Partners LLC (the "Sponsor"), is the controlling stockholder.

On July 27, 2012, the Company completed the initial public offering ("IPO") of its common stock. The Company issued 6,708,332 shares, including 874,999 shares sold to the underwriters pursuant to their overallotment option. The Company received net proceeds from the offering of approximately \$78.1 million (after estimated offering expenses of \$9.1 million). The net proceeds and additional Company funds were used to repay approximately \$79.4 million of the Company's loans outstanding under the Company's credit facility. The total outstanding debt under the credit facility after the repayment was approximately \$5.0 million.

Immediately prior to the closing of the IPO, the Company amended and restated its certificate of incorporation to reflect the conversion of each outstanding share of the Company's series A preferred stock, series B preferred stock and series X preferred stock into common stock on a 1:1 basis. As part of the IPO, the Company increased its authorized shares from 11,818,345 shares of common stock, \$0.01 par value per share, up to 60,000,000 shares of common stock, \$0.01 par value per share, and its preferred stock from 9,017,217 shares of preferred stock, \$0.01 par value per share, to 15,000,000 shares of preferred stock, \$0.01 par value per share.

All share and per share data have been retroactively restated on the accompanying financial statements to give effect to a reverse stock split. See Note 16 Reverse Stock Split.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

***Fiscal Year***

The Company utilizes a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. The fiscal years ended December 27, 2009, December 26, 2010 and December 25, 2011 each had 52 weeks. The fiscal year ended December 30, 2012 will consist of 53 weeks.

***Unaudited Interim Financial Statements***

The interim financial statements of the Company for September 23, 2012 and for the thirty-nine weeks ended September 25, 2011 and September 23, 2012 (unaudited), included herein, have been prepared by the Company, without audit, in accordance with generally accepted accounting principles ("GAAP") for interim financial information, pursuant to the rules and regulations of the SEC. Accordingly, certain information and disclosures normally included in the audited financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of management, all adjustments, consisting of normal, recurring accruals and estimates, which the Company considers necessary for a fair presentation of the financial position and the results of the interim periods presented, have been included. The results for the thirty-nine weeks ended September 23, 2012 are not necessarily indicative of the results to be expected for the full year ending December 30, 2012.

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### **Accounting Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period. These estimates are based on historical experience and various assumptions believed to be reasonable under the circumstances at the time.

Significant items subject to such estimates include the impairment test of goodwill and indefinite life intangibles. Actual results could differ from estimates.

### **Cash and Cash Equivalents**

The Company considers all cash and short-term investments with original maturities of three months or less as cash equivalents. Amounts receivable from credit card processors are considered cash equivalents because they are both short in term and highly liquid in nature, and are typically converted to cash within three business days of the sales transactions.

### **Lease Incentives Receivable**

Lease incentives receivable consist of receivables from landlords provided for under the lease agreements to finance leasehold improvements.

### **Inventories**

Inventories consist of food, beverage, and merchandise and are stated at the lower of cost (first-in, first-out method) or market.

### **Restaurant Pre-opening Costs**

Restaurant pre-opening costs consist primarily of manager salaries, relocation costs, supplies, recruiting expenses, travel and lodging, pre-opening activities, employee payroll and related training costs for employees at the new location. The Company expenses such pre-opening costs as incurred. Pre-opening costs also include rent recorded during the period between date of possession and the restaurant opening date.

### **Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation. Equipment consists primarily of restaurant equipment, furniture and fixtures. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset, which range from 3 to 7 years. Expenditures for major additions and improvements are capitalized. Leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the lease term, including option periods that are reasonably assured of renewal, or the estimated useful life of the asset, which range from 5 to 20 years.

### **Leases**

The Company leases land and/or buildings for its corporate office and all of its restaurants under various long-term operating lease agreements. The Company uses a lease life that begins on the date that the Company takes possession under the lease, including the pre-opening period during construction, when in many cases the Company is not making rent payments ("Rent Holiday").

Certain of the Company's operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases and those with a Rent Holiday, the Company recognizes the related rent expense on a straight-line basis over the lease term and records the difference between the amounts charged to operations and amounts paid, as accrued deferred rent.

In addition, certain of the Company's operating leases contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. The Company recognizes contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of the target is considered probable.

Leasehold improvements financed by the landlord through lease incentive allowances are capitalized with the lease incentive allowances recorded as deferred lease incentives. Such leasehold improvements are amortized on a straight line basis over the lesser of the life of the asset or the lease term, including option periods which are reasonably

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assured of renewal. Deferred lease incentives are amortized on a straight-line basis over the lease term, including option periods which are reasonably assured of renewal (the same useful life used to determine the amortization of leasehold improvements) and are recorded as a reduction of occupancy expense.

### ***Other Assets and Intangible Assets***

Other assets and intangible assets include liquor licenses, smallwares, lease acquisition costs and loan origination costs, and are stated at cost, less amortization. At the opening of a new restaurant, the initial purchase of smallwares is recorded as other assets. This balance is not amortized. Subsequent purchases of smallwares are expensed as incurred.

### ***Goodwill***

Goodwill represents the excess of cost over the fair value of assets of the businesses acquired. Goodwill is not amortized, but is subject to impairment tests at least annually. The Company performs tests to assess potential impairments on the first day of the fourth quarter or during the year if an event or other circumstance indicates that goodwill may be impaired. The impairment evaluation for goodwill is conducted using a two-step process. In the first step, the fair value of each reporting unit is compared to the carrying amount of the reporting unit, including goodwill. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities, other than goodwill, in a manner similar to a purchase price allocation. If the resulting implied fair value of the goodwill that results from the application of this second step is less than the carrying amount of the goodwill, an impairment charge is recorded for the difference. For fiscal year 2011, the Company defined the reporting unit to be each Chuy's restaurant. No impairments of goodwill were reported during the three years ended December 25, 2011.

The valuation approach used to determine fair value is subject to key judgments and assumptions that are sensitive to change such as; revenue growth rates, operating margins, weighted average cost of capital and comparable company and acquisition market multiples. In estimating the fair value using the discounted cash flows or the capitalization of earnings method, the Company considers the period of time the restaurant has been open, the trend of the operations over such period, 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, the Company considers economic, operational and market conditions that could impact the fair value. The judgments and assumptions used are consistent with what management believes hypothetical market participants would use.

In September 2011, the Financial Accounting Standards Board ("FASB") issued guidance to amend and simplify the rules related to testing goodwill for impairment. The revised guidance allows an entity to make an initial qualitative evaluation, based on the entity's events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The amendments will be effective for the Company's annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011.

### ***Indefinite Life Intangibles***

Intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized because there is no foreseeable limit to the cash flows generated by the intangible asset, and have no legal, contractual, regulatory, economic or competitive limiting factors.

The annual impairment evaluation for indefinite life intangible assets includes a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. The Company also annually evaluates intangible assets that are not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

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### ***Impairment of Long-lived Assets***

The Company reviews long-lived assets, such as property and equipment and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. Negative restaurant-level cash flow in a comparable location is considered a potential impairment indicator. In such situations, the Company evaluates future cash flow projections in conjunction with qualitative factors and future operating plans. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to the estimated undiscounted cash flow expected to be generated by the restaurant. If the carrying amount of the restaurant exceeds the estimated future cash flow, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value.

The Company's impairment assessment process requires the use of estimates and assumptions regarding future cash flows and operating outcomes, which are based upon a significant degree of management judgment. The Company assesses the performance of restaurants and monitors the need for future impairment. Changes in economic environment, real estate markets, capital spending and overall operating performance could impact these estimates and result in future impairment charges.

### ***Estimated Fair Value of Financial Instruments***

We use a three-tier value hierarchy, which classifies the inputs used in measuring fair values, in determining the fair value of our non-financial assets and non-financial liabilities. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. There were no changes in the methods or assumptions used in measuring fair value during the period.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable at December 26, 2010, December 25, 2011 and September 23, 2012 approximate their fair value due to the short-term maturities of these financial instruments. The Company's long-term debt has a variable interest rate and therefore re-prices frequently and entails no significant change in credit risk and as a result the fair value approximates the carrying value of \$55,200 and \$4,994 (unaudited) at December 25, 2011 and September 23, 2012, respectively. The fair value of the long-term debt at December 26, 2010 was \$31,235, which was \$503 higher than the carrying value of \$30,732 due to an element of the long-term debt having an interest rate component. The fair value of the long-term debt at December 26, 2010 was based on Level 1 inputs. This debt at December 26, 2010 was retired in May 2011 at its carrying value.

### ***Loan Origination Costs***

Loan origination costs are capitalized and amortized over the term of the related debt agreement as interest expense, using the effective interest method.

### ***Revenue Recognition***

Revenue from restaurant operations (food, beverage and alcohol sales) and merchandise sales are recognized upon payment by the customer at the time of sale. Revenues are reflected net of sales tax and certain discounts and allowances.

The Company records a liability upon the sale of gift cards and recognizes revenue upon redemption by the customer. Breakage is recognized on unredeemed gift cards based upon historical redemption patterns when the Company determines the likelihood of redemption of the gift card by the customer is remote. Any gift card breakage was immaterial for all periods presented.

### ***Marketing***

The Company expenses the printing of menus and other promotional materials as incurred. The cost of community service and sponsorship activities are expensed on the expected timing of those events. Advertising costs are minimal and are expensed as incurred. Marketing expense was \$533, \$655, and \$964 for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively. Marketing expense was \$733 (unaudited) and \$954 (unaudited) for the thirty-nine weeks ended September 25, 2011 and September 23, 2012, respectively.

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### **Stock-Based Compensation**

The Company maintains an equity incentive plan under which it grants non-qualified stock options to purchase common stock. Options are granted with exercise prices equal to at least the fair value of the Company's common stock at the date of grant. The fair value of stock options at the date of grant is recognized on a straight-line basis as compensation expense over the period that an employee provides service in exchange for the award, typically the vesting period. These options vest and become exercisable once the time-based vesting period lapses.

### **Income Tax Matters**

Income tax provisions are comprised of federal and state taxes currently due, plus deferred taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized when management considers the realization of those assets in future periods to be more likely than not. Future taxable income, adjustments in temporary differences, available carryforward periods and changes in tax laws could affect these estimates.

### **Deferred Offering Costs**

The Company incurred costs related to its initial public offering. These costs were deferred and recorded as an offset to the proceeds from the offering at the time of closing.

### **Earnings per Share**

Basic earnings per share is computed using the two-class method by dividing net income available to common stockholders less undistributed earnings to participating interest by the weighted-average number of shares of common stock outstanding during the reporting period. The diluted earnings per share calculations include the dilutive effect of convertible preferred stock outstanding and the weighted-average stock options outstanding.

### **Segment Reporting**

The FASB issued Accounting Standards Codification ("Codification") Topic No. 280, Segment Reporting, which established standards for disclosures about products and services, geographic areas and major customers. The Company currently operates one reporting segment; full-service, casual dining, Mexican food restaurants. Additionally, we operate in one geographic area: the United States of America.

Revenue from customers is derived principally from food and beverage sales and the Company does not rely on any major customers as a source of revenue.

### **Recent Accounting Pronouncements**

In April 2011, the FASB issued new guidance to achieve common fair value measurement and disclosure requirements. This new guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The adoption of this guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In September 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2011-08, *Intangibles — Goodwill and Other, Testing Goodwill for Impairment*, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. This update is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011 (the Company's 2012 fiscal year). The Company does not believe adoption of this new guidance will have a significant impact on the Company's consolidated financial statements.

In July 2012, FASB issued ASU 2012-02, *Intangibles—Goodwill and Other (Topic 350), Testing Indefinite Lived Intangible Assets for Impairment*. This ASU simplifies the guidance for impairment testing of indefinite-lived intangible assets other than goodwill and gives companies the option to assess qualitative factors to determine

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whether it is necessary to perform a quantitative impairment test. Companies electing to perform a qualitative assessment are no longer required to calculate the fair value of an indefinite-lived intangible asset unless the company determines, based on a qualitative assessment, that it is “more likely than not” that the asset is impaired. This update is effective for annual and interim impairment tests performed in fiscal years beginning after September 15, 2012; however, early adoption is permitted. The Company does not believe adoption of this new guidance will have a significant impact on the Company’s consolidated financial statements.

### **2. EARNINGS PER SHARE**

The number of shares and earnings per share data (“EPS”) for all periods presented are based on the historical weighted-average shares of common stock outstanding. EPS is computed using the two-class method. The two-class method determines EPS for common stock and participating securities according to dividends and dividend equivalents and their respective participation rights in undistributed earnings. The Company’s convertible preferred stockholders are entitled to receive dividends in the event dividends on the Company’s common stock are declared. As a result, the shares of the Company’s convertible preferred stock are deemed to be participating securities.

Basic EPS of common stock is computed by dividing net income, less the undistributed earnings allocated to participating interests, by the weighted-average number of shares of common stock outstanding for the period. Due to the issuance of the series X preferred stock in 2010, the basic EPS is computed by dividing net income, less the original investment of \$5,000 in series X preferred stock and annualized 20.0% preferred return and the undistributed earnings allocated to participating interests, by the weighted-average number of shares of common stock outstanding for the period. The original investment in series X preferred stock and the 20.0% preferred return must be paid to series X preferred stockholders prior to any payment of dividends to the common stockholders. For the year ended December 26, 2010, after adjusting net income for the original investment in and the preferred return on the series X preferred stock, there was no income remaining to be allocated to the Company’s common stock or participating interests.

Diluted EPS of common stock is computed on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential shares of common stock equivalents outstanding during the period using the treasury stock method for dilutive options and the if converted method for dilutive convertible preferred stock. The numerator is net income less the preferred return and undistributed earnings on the series X preferred stock. The series X preferred stock is anti-dilutive. Options to purchase 50,026, 50,026 and 0 shares of common stock, for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively, were outstanding but not included in the computation of diluted net EPS because their inclusion would have an anti-dilutive effect. For all periods presented undistributed earnings allocated to participating interests related to the series A preferred stock and series B preferred stock are not deducted from net income for purposes of calculating diluted earnings per share because the diluted earnings per share gives effect to the conversion of this preferred stock into common stock as of the beginning of the year. For the year ended December 26, 2010, the series A preferred stock and the series B preferred stock are antidilutive as a result of the net loss available to common stockholders.



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The computation of basic and diluted earnings per share is as follows:

	YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011 (unaudited)	SEPTEMBER 23, 2012 (unaudited)
<b>BASIC:</b>					
Numerator:					
Net Income	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Less liquidation preference and preferred return on series X preferred stock	—	5,617	1,121	821	577
Less undistributed earnings allocated to participating interests	2,620	—	2,302	2,289	1,594
Net income (loss) available to common stockholders	<u>\$ 33</u>	<u>\$ (2,326)</u>	<u>\$ 41</u>	<u>\$ 37</u>	<u>\$ 731</u>
Denominator:					
Weighted-average common shares outstanding	126,218	135,392	191,166	181,117	3,539,732
Basic earnings (loss) per common share	<u>\$ 0.26</u>	<u>\$ (17.18)</u>	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ 0.21</u>
<b>DILUTED</b>					
Numerator:					
Net income attributed to common stockholders	\$ 2,653	\$ 3,291	\$ 3,464	\$ 3,147	\$ 2,902
Less liquidation preference and preferred return on series X preferred stock	—	5,617	1,121	821	577
Less undistributed earnings allocated to participating interests	—	—	131	130	91
Net income (loss) available to common and participating stockholders	<u>\$ 2,653</u>	<u>\$ (2,326)</u>	<u>\$ 2,212</u>	<u>\$ 2,196</u>	<u>\$ 2,234</u>
Denominator:					
Weighted-average common shares outstanding	126,218	135,392	191,166	181,117	3,539,732
Dilutive effect of preferred stock conversion	10,049,572	—	10,049,572	10,049,572	7,279,884
Dilutive effect of stock options	462,724	—	611,913	615,005	682,254
Weighted-average of diluted shares	10,638,514	135,392	10,852,651	10,845,694	11,501,870
Diluted earnings (loss) per common share	<u>\$ 0.25</u>	<u>\$ (17.18)</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.19</u>

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### 3. CONVERTIBLE PREFERRED STOCK

As of December 25, 2011, the Company had issued three series of convertible preferred stock. A schedule of convertible preferred stock is as follows:

<u>SERIES</u>	<u>NUMBER</u>	<u>DATE OF ISSUANCE</u>	<u>ORIGINAL</u>	<u>DIVIDEND PAID</u>
Series A	9,062,741	November 2006	\$ 25,000	\$ 15,868
Series B	986,831	November 2006	2,722	1,728
Series X	607,680	May 2010	5,000	1,064
Total Preferred	10,657,252		32,722	18,660
Common Stock	208,505	various	914	350
Total Capital Stock	<u>10,865,757</u>		<u>\$ 33,636</u>	<u>\$ 19,010</u>

There are no mandatory dividends on the convertible preferred stock.

On May 25, 2011, the Company declared and paid a special dividend ("Special Dividend") of \$1.75 per share on all outstanding shares of common and convertible preferred stock. The dividend of approximately \$19,010 was paid by May 31, 2011. This Special Dividend also included a \$53 dividend paid on June 15, 2011 in conjunction with a settlement with a former director (see Note 14). The table above gives a breakdown of dividends paid to holders of each series of the Company's preferred stock and the Company's common stock.

Each share of preferred stock is convertible at the option of the holder, at any time, without the payment of additional consideration into one share of common stock.

Immediately before any underwritten offering pursuant to an effective registration statement resulting in at least \$25,000 in net proceeds to the Company, each share of convertible preferred stock will be converted on a mandatory basis into one share of common stock. However, in the event that the fair market value of the series X convertible preferred stock, as determined by the board of directors of the Company, is less than the required liquidation preference, the Company will redeem those shares by making cash payments to those stockholders to satisfy the liquidation preference.

On April 6, 2012, the Company repurchased 15,627 and 1,640,035 shares of common and preferred stock, respectively, totaling \$22,474 including expenses.

According to the Company's By-Laws and effective upon the closing of the IPO on July 27, 2012, all preferred stock mandatorily converted into common stock on a 1:1 basis.

### 4. PROPERTY AND EQUIPMENT

The major classes of property and equipment at December 26, 2010 and December 25, 2011 are summarized as follows:

	<u>DECEMBER 26,</u> <u>2010</u>	<u>DECEMBER 25,</u> <u>2011</u>
Leasehold improvements	\$ 20,703	\$ 34,231
Furniture, fixtures and equipment	13,645	20,554
Construction in progress	3,055	2,929
	37,403	57,714
Less accumulated depreciation	(5,290)	(9,600)
Total property and equipment, net	<u>\$ 32,113</u>	<u>\$ 48,114</u>

Depreciation expense was \$1,535, \$2,706 and \$4,407 for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively.

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**5. GOODWILL, OTHER ASSETS AND OTHER INTANGIBLE ASSETS**

The major classes of goodwill, other assets and other intangibles assets along with related accumulated amortization at December 26, 2010 and December 25, 2011 are summarized as follows:

	AVERAGE LIFE AT DECEMBER 25, 2011 (YEARS)	2010			2011		
		GROSS AMOUNT	ACCUMULATED AMORTIZATION	NET AMOUNT	GROSS AMOUNT	ACCUMULATED AMORTIZATION	NET AMOUNT
Other assets and intangibles assets, net:							
Liquor License	Indefinite	\$ 35	\$ —	\$ 35	\$ 35	\$ —	\$ 35
Loan origination cost	4.3	898	(741)	157	1,796	(206)	1,590
Lease acquisition cost	12.0	576	(43)	533	729	(84)	645
Other assets	—	577	—	577	922	—	922
Total other assets and intangible assets, net:		\$ 2,086	\$ (784)	\$ 1,302	\$ 3,482	\$ (290)	\$ 3,192
Tradenname		\$21,900	\$ —	\$21,900	\$21,900	\$ —	\$21,900
Goodwill		\$24,069	\$ —	\$24,069	\$24,069	\$ —	\$24,069

Amortization expense was \$202, \$214 and \$404 for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively.

The Company's estimated amortization expense for the following fiscal years is as follows:

	LOAN ORIGINATION COSTS	LEASE ACQUISITION COSTS	TOTAL
2012	\$ 357	\$ 46	\$ 403
2013	359	46	405
2014	361	46	407
2015	364	46	410
2016	149	46	195
Thereafter	—	415	415
	\$ 1,590	\$ 645	\$2,235

[Table of Contents](#)**6. LONG-TERM DEBT**

Long-term debt at December 26, 2010, December 25, 2011 and September 23, 2012, consists of the following:

	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 23, 2012 (unaudited)
Wells Fargo Term A Loan	\$ 2,687	\$ —	\$ —
Well Fargo New Unit Term Loan	15,000	—	—
Wells Fargo Working capital revolving line of credit	2,250	—	—
HBK Term B Loan	10,000	—	—
Golub—Term Loan A	—	52,500	4,994
Golub—Revolver	—	2,700	—
Note payable-related party	795	—	—
Total long term debt	30,732	55,200	4,994
Less current maturities	(1,107)	(713)	(775)
Total long term debt, less current maturities	<u>\$ 29,625</u>	<u>\$ 54,487</u>	<u>\$ 4,219</u>

In November 2006, the Company, entered into a credit agreement with each of Wells Fargo Capital Finance, Inc. and HBK Investments, L.P. as administrative agents to, among other things, finance the acquisition of the restaurants owned by the Company's Founders, pay the related fees and expenses of the acquisition, and provide funds for the operation of the Company. The aforementioned credit facilities were paid off in May 2011 under the Senior Secured Credit Facility as discussed below.

**Wells Fargo Credit Facility**

Pursuant to the 2006 credit agreement, the Company entered into two term loans, Term A Loan in the amount of \$5,000, and a New Unit Term Loan, in the amount of \$15,000.

(a) The Term A Loan bore interest at a variable rate based on the prime rate or the London Interbank Offered Rate ("LIBOR") plus an applicable margin. On December 26, 2010, the Term A Loan consisted of two notes, one bearing interest at the base rate plus prime (8.25%) and one bearing interest of LIBOR plus applicable margin (8.0%).

(b) The New Unit Term Loan bore interest at a variable rate based on the prime rate or LIBOR plus an applicable margin. On December 26, 2010, the New Unit Term Loan bore interest at LIBOR plus an applicable margin (8.75%). In addition, the Company paid an annual commitment fee of 0.5% on the unused portion of the New Unit Term Loan.

(c) Under the same credit facility, the Company entered into a Working Capital Revolving Line of Credit, to provide for borrowings and letters of credit of up to \$5,000 through maturity in November 2011. The Working Capital Revolving Line of Credit bore interest at a variable rate based on the prime rate or LIBOR plus an applicable margin. In addition, the Company paid an annual commitment fee of 0.5% on the unused portion of the Working Capital Revolving Line of Credit. On December 26, 2010, the Working Capital Revolving Line of Credit consisted of two loans, one bearing the base rate plus applicable margin (8.25%) and the other line of credit bore LIBOR plus applicable margin (8.0%). The availability of the Working Capital Revolving Line of Credit was reduced by any borrowings and any outstanding letters of credit.

**HBK Credit Facility**

The Company also entered into a \$10,000 Term B Loan facility with HBK Investments, L.P. as administrative agent. This note bore interest at the greater of the base rate plus applicable margin or LIBOR plus applicable margin. On December 26, 2010, the Term B Loan interest rate was LIBOR plus an applicable margin (14.0%).

**Note Payable—Related Party**

The unsecured note payable to the related party bore interest at 15.0% per annum and required principal and interest payments of approximately \$78 per month commencing on September 1, 2009 through maturity in November 2011.

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### **Senior Secured Credit Facility**

On May 24, 2011, the Company entered into a \$67,500 senior credit facility with a syndicate of financial institutions and other entities with respect to a senior secured credit facility.

The Company used the proceeds for the senior secured credit facility as follows:

- (a) approximately \$20,800 to repay all outstanding loans and accrued and unpaid interest, servicing fees, commitment fees and letter of credit fees under our credit facility with Wells Fargo Capital Finance, Inc.;
- (b) approximately \$10,100 to repay the outstanding principal, interest, and expenses under our credit facility with HBK investments L.P.;
- (c) approximately \$1,600 to pay the expenses of the lenders; and
- (d) approximately \$20,000 to pay a dividend of \$19,000 to our common and preferred stockholders and other special one-time cash bonus payments of \$1,000 to certain members of management.

This senior secured credit facility provides for, (a) Revolving Credit Facility, (b) Term A Loan, (c) Delayed Draw Term B Loan and (d) Incremental Term Loan.

(a) The Revolving Credit Facility allows the Company to borrow up to \$5,000, including a \$500 sub-limit for letters of credit. The unpaid balance of the Revolving Credit Facility must be paid by May 24, 2016. Advances under the Revolving Credit Facility bear interest at a variable rate based on the prime or federal funds (Index Rate) or LIBOR plus an applicable margin at the Company's election, based on the Company's total leverage ratio. Interest is due at the end of each month if the Company has selected to pay interest based on the Index Rate or at the end of each LIBOR period if the Company has selected to pay interest based on LIBOR.

(b) The Term A Loan is a \$52,500 term loan facility, maturing in May 2016. The Term A Loan bears interest at a variable rate based on the prime, federal funds or LIBOR plus an applicable margin at the Company's election, based on the Company's total leverage ratio. Quarterly principal payments of \$131 commence on December 31, 2011, with the entire unpaid balance due at maturity on May 24, 2016. Interest is due at the end of each month if the Company has selected to pay interest based on the Index Rate or at the end of each LIBOR period if the Company has selected to pay interest based on LIBOR.

(c) The Delayed Draw Term B Loan is a \$10,000 term loan facility, which may be drawn upon after 30 days notice to the lenders prior to May 24, 2013. The Delayed Draw Term B Loan bears interest at a variable rate based on the Index rate or LIBOR plus an applicable margin at the Company's election, based on the Company's total leverage ratio. Interest is due at the end of each month if the Company has selected to pay interest based on the Index Rate or at the end of each LIBOR period if the Company has selected to pay interest based on LIBOR. The entire unpaid balance of the Delayed Draw Term B Loan will be due on May 24, 2016.

(d) Under the Incremental Term Loan, the Company may request up to four incremental term loans of amounts of not more than \$5,000 each, but not to exceed \$20,000 in the aggregate for all such incremental term loans. These incremental term loans may be requested prior to May 24, 2015 drawn upon after 30 days written notice to the agent and any lender agreeing to fund an incremental loan.

(e) Other Terms—In addition to paying interest on the outstanding principal under the senior secured credit facility, and quarterly principal payments commencing on December 31, 2011, the Company is required to pay a commitment fee to lenders under the revolving credit facility in respect of the unused commitments thereunder at a rate equal to 0.5%. The senior secured credit facility also requires the Company to maintain certain financial and nonfinancial covenants and limitations, including a restriction on the declaration and payment of dividends without the prior written consent of the Administrative Agent.

As a result of entering into the senior secured credit facility, the Company recorded an expense of \$78 to write off the unamortized loan origination fees related to the retired credit facility. The Company paid loan origination costs of \$1,800 related to the senior secured credit facility, and is amortizing these loan origination costs over the remaining term of the credit agreement.

On March 21, 2012, the Company entered into a credit facility amendment (the "Amendment"). The Amendment provides for an additional draw on its Term A Loan of \$25,000 such that the outstanding principal amount of the Term A Loan was increased from \$52,369 to \$77,369. The incremental loan has the same terms and covenants as the existing senior credit facility and quarterly principal payments were increased from \$131 to \$194.

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The proceeds of the loan were used for a \$2,000 termination payment to the Sponsor to terminate its advisory agreement effective March 21, 2012 (see Note 12 Commitments and Contingencies), \$575 in estimated fees and expenses related to the incremental loan, and \$22,474 to repurchase shares of the Company's common and preferred stock. The shares were repurchased in a repurchase offer made to all stockholders of record of the Company as of March 8, 2012. Each stockholder was entitled to sell their pro rata share of the 1,655,662 shares being repurchased based on their percentage ownership of the Company's capital stock. Unless otherwise agreed between the Company and the selling stockholders, each stockholder was also entitled to sell their pro rata share of the aggregate difference between the total number of shares being repurchased and the number of shares initially tendered. The stock repurchase closed on April 6, 2012.

In connection with the IPO, the Company used the proceeds from the offering and additional Company funds to repay approximately \$79.4 million of the Company's loans outstanding under the Company's credit facility. At September 23, 2012, the Company had approximately \$10.5 million of unused commitments under the Company's credit facility.

As a result of the repayment of outstanding loans with the proceeds from the offering, the Company recorded an expense of \$1.6 million to write off the unamortized loan origination fees related to the portion of long term debt that was repaid. The Company will continue to amortize the remaining \$100 of loan origination costs over the remaining term of the credit agreement.

Maturities of long-term debt obligations at December 25, 2011 adjusted to give effect to the Amendment and September 23, 2012 are as follows:

MATURITIES OF LONG-TERM DEBT OBLIGATIONS AT	DECEMBER 25, 2011	SEPTEMBER 23, 2012
2012	\$ 713	\$ 713
2013	773	773
2014	773	773
2015	773	773
2016	52,168	1,962
Total long-term debt	<u>\$ 55,200</u>	<u>\$ 4,994</u>

The obligations under the Company's long-term debt (excluding the note payable-related party) are secured by a first priority lien on substantially all of the Company's assets.

## 7. ACCRUED LIABILITIES

The major classes of accrued liabilities at December 26, 2010, December 25, 2011, and September 23, 2012 are summarized as follows:

	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 23, 2012 (unaudited)
Accrued compensation and related benefits	\$ 1,795	\$ 2,500	\$ 3,794
Sales, property, and liquor taxes	1,586	1,787	2,492
Other accruals	858	1,552	2,697
Deferred gift card revenue	660	846	571
Accrued offering expenses	—	763	—
Accrued interest	163	317	31
Total accrued liabilities	<u>\$ 5,062</u>	<u>\$ 7,765</u>	<u>\$ 9,585</u>

## 8. LEASES

The Company leases land and buildings for its corporate office and all of its restaurants under various long-term operating lease agreements. The initial lease terms range from 10 years to 20 years and currently expire between 2016 and 2032. The leases include renewal options for 5 to 20 additional years. Some of the leases provide for base rent, plus additional rent based on gross sales, as defined in each lease agreement. The Company is also generally obligated to pay certain real estate taxes, insurance and common area maintenance ("CAM") charges, and various other expenses related to properties.

Rent expense is paid to various landlords including several companies owned and controlled by certain of the Company's minority stockholders.

At December 25, 2011, the future minimum rental commitments under non-cancellable operating leases, including option periods that are reasonably assured of renewal are as follows:

	RELATED PARTY	UNRELATED PARTIES	TOTAL
Fiscal year ending:			
2012	\$ 1,805	\$ 5,610	\$ 7,415
2013	1,832	5,799	7,631
2014	1,901	5,864	7,765
2015	1,956	5,959	7,915
2016	2,012	5,970	7,982
Thereafter	1,442	55,261	56,703
Total minimum lease payments	<u>\$10,948</u>	<u>\$ 84,463</u>	<u>\$95,411</u>

The above future minimum rental amounts exclude the amortization of deferred lease incentives, renewal options that are not reasonably assured of renewal, and contingent rent based on sales or increases in the Consumer Price Index. The Company generally has escalating rents over the term of the leases and records rent expense on a straight-line basis.

Subsequent to December 25, 2011, the Company has signed 12 leases with lease terms of 15 years and annual lease payments of approximately \$2.5 million. Including these leases, the future minimum lease payments for all non-cancelable operating leases with unrelated parties are approximately \$6.1 million for 2012, approximately \$8.3 million for each of the fiscal years 2013 through 2016 and approximately \$88.7 million thereafter.

Rent expense, excluding real estate taxes, CAM charges, insurance, deferred lease incentives and other expenses related to operating leases for the years ended December 27, 2009, December 26, 2010 and December 25, 2011 and for the thirty-nine weeks ended September 25, 2011 and September 23, 2012 consists of the following:

	YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011 (unaudited)	SEPTEMBER 23, 2012 (unaudited)
Minimum rent—related parties	\$ 1,622	\$ 1,663	\$ 1,749	\$ 1,312	\$ 1,388
Contingent rent—related parties	420	409	472	181	177
Total rent—related parties	2,042	2,072	2,221	1,493	1,565
Minimum rent—unrelated parties	1,483	2,582	4,028	2,830	4,234
Contingent rent—unrelated parties	82	96	197	389	391
Total rent—unrelated parties	1,565	2,678	4,225	3,219	4,625
Total minimum and contingent rent	<u>\$ 3,607</u>	<u>\$ 4,750</u>	<u>\$ 6,446</u>	<u>\$ 4,712</u>	<u>\$ 6,190</u>

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The Chuy's Opco, Inc. 401(k) plan, (the "401(k) Plan"), is a defined contribution plan covering all eligible employees. The 401(k) Plan provides for employee salary deferral contributions up to the maximum amount allowable by the Internal Revenue Service ("IRS"), as well as Company discretionary matching contributions. Company contributions relating to the 401(k) Plan were \$60, \$50 and \$80 for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively.

**10. STOCK-BASED COMPENSATION**

The Company has outstanding awards under the 2006 Plan. On April 6, 2012, the Company amended the 2006 Plan to increase the shares available for the issuance of options under the 2006 Plan from 1,004,957 to 1,070,209 shares of the Company's common stock. Options granted have a maximum term of 10 years. Subject to an optionee's continued employment, options granted vest 20% on each of the first five anniversaries of the date of grant. In addition, under the 2006 Plan, all options would immediately vest upon a change in control. In connection with the IPO, the Company terminated the 2006 Plan, and no further awards will be granted under the 2006 Plan. The termination of the 2006 Plan did not affect awards outstanding under the 2006 Plan at the time of its termination and the terms of the 2006 Plan continue to govern those outstanding awards.

In connection with the IPO, the Company adopted the 2012 Omnibus Equity Incentive Plan (the "2012 Plan") which allows the Company's Board of Directors to grant stock options, restricted stock, and other equity-based awards to directors, officers, and key employees for the Company. The 2012 Plan provides for granting of options to purchase shares of common stock at an exercise price not less than the fair value of the stock on the date of grant. The options granted vest 20% on each of the first five anniversaries of the date of grant and have a maximum term of 10 years. A total of 1,250,000 shares of common stock are reserved and available for issuance under the 2012 Plan.

Stock-based compensation cost recognized in the accompanying consolidated statements of income was \$235, \$310 and \$352 for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively. Stock-based compensation cost recognized in the accompanying consolidated statements of income was \$263 (unaudited) and \$252 (unaudited) for the thirty-nine weeks ended September 25, 2011 and September 23, 2012, respectively.

A summary of stock-based compensation activity and changes during the fiscal year ended December 25, 2011 and for the thirty-nine weeks ended September 23, 2012 is as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (YEAR)	AGGREGATE INTRINSIC VALUE
Outstanding and expected to vest at December 26, 2010	951,324	\$ 3.95		
Granted	54,596	10.84		
Exercised	(30,209)	2.76		
Forfeited	(5,438)	5.99		
Outstanding and expected to vest at December 25, 2011	970,273	\$ 4.36	5.88	\$ 8,161
Exercisable at December 25, 2011	715,142	\$ 3.45	5.39	\$ 6,665
Outstanding and expected to vest at December 25, 2011	970,273	\$ 4.36		
Granted	88,297	15.63		
Forfeited	(4,621)	8.99		
Outstanding and expected to vest at September 23, 2012	1,053,949	\$ 5.28	5.46	\$ 18,387
Exercisable at September 23, 2012	841,121	\$ 3.72	4.79	\$ 15,993



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The aggregate intrinsic value in the table above is obtained by subtracting the weighted average exercise price from the estimated fair value of the underlying common stock as of December 25, 2011 and multiplying this result by the related number of options outstanding and exercisable at December 25, 2011 and September 23, 2012. The estimated fair value of the common stock as of December 25, 2011 and September 23, 2012 used in the above calculation was \$12.77 and \$22.73 per share, respectively.

The weighted-average grant date fair value of options granted was \$3.12, \$4.17, \$5.71 and \$6.07 for the years ended December 27, 2009, December 26, 2010, December 25, 2011 and the thirty-nine weeks ended September 23, 2012, respectively, as estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2009	2010	2011	2012
Dividend yield	0%	0%	0%	0%
Expected volatility	44%	44%	44%	44%
Risk-free rate of return	2.42%	3.36%	3.36%	0.68%
Expected life	7 years	7 years	7.5 years	5.4 years

The assumptions above represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. The expected term of options granted during 2009, 2010 and 2011 was based on the simplified method of estimating expected term. The expected term of options granted during 2012 was based on a representative peer group with similar employee groups and expected behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury constant maturities rate in effect at the time of grant. The Company utilized a weighted rate for expected volatility based on a representative peer group within the industry.

There was \$607 and \$877 of total unrecognized compensation costs related to options granted under the Plan as of December 25, 2011 and September 23, 2012, respectively. These costs will be recognized through the year 2015 and 2017, respectively. In the event of a change of control, \$607 and \$682 of the Company's unrecognized compensation costs would be immediately recognized as of December 25, 2011 and September 23, 2012, respectively.

One significant factor in determining the fair value of our options, when using the Black-Scholes option pricing model, is the fair value of the common stock underlying those stock options. The Company was a private company with no active public market for its common stock prior to its IPO. During that time, the fair value of the common stock underlying the stock options was determined by our board of directors, which intended to grant all stock options with an exercise price per share not less than the per share fair value of our common stock underlying those options on the date of grant. The Company has determined the estimated per share fair value of its common stock on a quarterly basis using a contemporaneous valuation determined by our board of directors based upon information available to it at the time of the valuation. The fair value of the Company's common stock was based on an analysis of relevant metrics, including the following:

- (a) The rights, privileges and preferences of the Company's convertible preferred stock;
- (b) Our operating and financial performance;
- (c) The hiring of key personnel;
- (d) The risks inherent in the development and expansion of our restaurants;
- (e) The fact that the option grants involve illiquid securities in a private company;
- (f) The likelihood of achieving a liquidity event, such as an initial public offering or sale of our company;
- (g) An estimated enterprise value determined by applying a consistent multiple to our earnings before interest, taxes, depreciation and amortization; and
- (h) Financial metrics of publicly traded companies in our peer group.

In addition, at December 25, 2011, as part of the Company's valuation analysis, the board of directors obtained a contemporaneous valuation study from an independent third-party valuation firm. In performing its valuation

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analysis, the valuation firm engaged in discussions with management, analyzed historical and forecasted financial statements and reviewed the Company's corporate documents. In addition, these valuation studies were based on a number of assumptions, including industry, general economic, market and other conditions that could reasonably be evaluated at the time of the valuation.

After the consummation of the IPO, the fair value of the Company's common stock is based on the market price as quoted by the Nasdaq Stock Market.

### 11. INCOME TAXES

The provision for federal income taxes for the years ended December 27, 2009, December 26, 2010 and December 25, 2011 consisted of the following:

	2009	2010	2011
<b>Current income tax expense</b>			
Federal	\$ —	\$ —	\$ —
State	195	210	436
<b>Total current income tax expense</b>	195	210	436
<b>Deferred income tax expense</b>			
Federal	882	1,006	755
State	—	212	443
<b>Total deferred income tax expense</b>	882	1,218	1,198
<b>Total income tax expense</b>	<u>\$1,077</u>	<u>\$1,428</u>	<u>\$1,634</u>

Temporary differences between the tax and financial reporting basis of assets and liabilities that give rise to the deferred income tax assets (liabilities) and their related tax effects at December 26, 2010 and December 25, 2011 are as follows:

	2010	2011
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 3,635	\$ 5,997
Accrued liabilities	170	417
General business credits	2,098	3,144
Stock-based compensation	313	443
Other	62	91
<b>Total deferred tax assets</b>	6,278	10,092
<b>Deferred tax liability:</b>		
Intangibles	(3,937)	(5,037)
Prepaid expenses	(194)	(199)
Property and equipment	(3,539)	(7,295)
Other	(111)	(262)
<b>Total deferred tax liabilities</b>	(7,781)	(12,793)
<b>Net deferred liabilities</b>	<u>\$(1,503)</u>	<u>\$ (2,701)</u>

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The Company's net operating loss carry forward of \$17,602 at December 25, 2011 will expire in 2031. As of December 25, 2011, the Company has tax credits of \$3,144 expiring in 2031. The following is a table showing the net operating loss by year of expiration:

YEAR CREATED	NET OPERATING LOSS	YEAR EXPIRING
2006	\$ 458	2026
2007	2,441	2027
2008	4,293	2028
2009	2,883	2029
2010	3,144	2030
2011	4,383	2031
	<u>\$ 17,602</u>	

Deferred tax assets are reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some or all of the deferred taxes will not be realized. Both positive and negative evidence are considered in forming management's judgment as to whether a valuation allowance is appropriate, and more weight is given to evidence that can be objectively verified. The tax benefits relating to any reversal of the valuation allowance on the deferred tax assets would be recognized as a reduction of future income tax expense. The Company believes that it will realize all of the deferred tax assets. Therefore, no valuation allowance has been recorded.

The effective income tax (benefit) expense differs from the federal statutory tax expense for the fiscal years ended December 27, 2009, December 26, 2010 and December 25, 2011 and for the thirty-nine weeks ended September 25, 2011 and September 23, 2012 as follows:

	FISCAL YEAR ENDED			THIRTY-NINE WEEKS ENDED	
	DECEMBER 27, 2009	DECEMBER 26, 2010	DECEMBER 25, 2011	SEPTEMBER 25, 2011 (unaudited)	SEPTEMBER 23, 2012 (unaudited)
Expected income tax expense	\$ 1,255	\$ 1,604	\$ 1,733	\$ 1,494	\$ 1,409
State tax expense, net of federal benefits	98	278	580	130	288
Non-deductible compensation	244	273	354	233	266
FICA tip credit	(576)	(706)	(1,040)	(656)	(783)
Other	56	(21)	7	47	63
<b>Income tax expense</b>	<u>\$ 1,077</u>	<u>\$ 1,428</u>	<u>\$ 1,634</u>	<u>\$ 1,248</u>	<u>\$ 1,243</u>

The Company adopted authoritative guidance in regard to uncertain tax positions during 2009. The standard 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 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Upon adoption, the Company determined that these new standards did not have a material effect on prior consolidated financial statements and therefore no change was made to the opening balance of retained earnings. The standards also require that changes in judgment that result in subsequent recognition, derecognition or change in a measurement of a tax position taken in a prior annual period (including any related interest and penalties) be recognized as a discrete item in the interim period in which the change occurs. As of December 27, 2009, December 26, 2010, December 25, 2011 and September 23, 2012, the Company recognized no liability for uncertain tax positions.

It is the Company's policy to include any penalties and interest related to income taxes in its income tax provision. However, the Company currently has no penalties or interest related to income taxes. The Company is currently open to audit under the statute of limitations by the IRS for the years ended December 29, 2008 through December 25, 2011.

## 12. COMMITMENTS AND CONTINGENCIES

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

The Company is contractually committed to lease four restaurants that were not open as of December 25, 2011. The new locations are a combination of ground-up prototype, new unit builds, and retail end cap locations and will require capital expenditures ranging between \$2,000 and \$2,500 each.

In connection with the Sponsor's investment in 2006, the Company entered into an advisory agreement with the Sponsor, pursuant to which the Sponsor provides the Company with certain financial advisory services. In exchange for these services, the Company paid the Sponsor an aggregate annual management fee equal to \$350 and reimbursed them for out-of-pocket expenses incurred by it in connection with the provision of services pursuant to the agreement. Payments to the Sponsor were \$383, \$375 and \$373 for the years ended December 27, 2009, December 26, 2010 and December 25, 2011, respectively. Payments to the Sponsor were \$281 (unaudited) and \$94 (unaudited) for the thirty-nine weeks ended September 25, 2011 and September 23, 2012, respectively. On March 21, 2012, the Company paid a \$2,000 termination payment to the Sponsor to terminate its advisory agreement and no further payments are required under the advisory agreement.

## 13. RELATED PARTY TRANSACTIONS

The Company has related party transactions with the Sponsor, the Founders and the Chief Executive Officer as described below:

### **Sponsor**

The Company was party to an advisory agreement under which the Sponsor provided certain financial advisory services. See Note 12 Commitments and Contingencies.

In May 2010, the Company sold 607,680 shares of series X convertible preferred stock to the Sponsor and their affiliates. The aggregate proceeds were \$5,000 and were used for general corporate purposes.

### **Founders**

The Company leases its corporate office and six restaurant locations from entities owned by the Founders. See Note 8 Leases.

In connection with the acquisition of the Company by the Sponsor in November 2006, the purchase price included a contingent element. This element was an agreement to complete the development of a new restaurant location. Payment for this unit was to be based on the cash flow of the restaurant during its first fourteen months of operation after the first full four months the restaurant was open. The restaurant opened in April 2008 and payment was made in November 2009. This contingent payment was \$3,782, with \$410 recorded in property and equipment and the remaining \$3,372 as goodwill. The contingent payment was additional purchase price for the tangible assets and operations related to the new restaurant acquired by the Company and consisted solely of property and equipment. There were no specifically identified intangibles attributable to this location other than goodwill.

In conjunction with the Sponsor's investment in November 2006, a retention bonus plan was implemented. See Note 15 Deferred Compensation. At that time, the Company transferred the responsibility for certain future payments to an entity controlled by its Founders. To recognize that obligation, the Company established a note payable for those obligations.

The Company entered into a management agreement in November 2006 with Three Star Management, Ltd. (an entity owned by the Founders) to provide management services, such as administrative, accounting and human resources support, to Three Star Management's restaurants. In connection with this agreement, the Company received management fees of \$53, \$40 and \$40 for fiscal years 2009, 2010 and 2011, respectively. The Company received management fees of \$30 (unaudited) and \$30 (unaudited) for the thirty-nine weeks ended September 25, 2011 and September 23, 2012, respectively.

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### **Chief Executive Officer**

In conjunction with hiring and relocating the Company's Chief Executive Officer, Steve Hislop, in 2007, the Company agreed to lend Mr. Hislop the amount of his home mortgage payments on his prior residence as he was unable to sell the home when he relocated. Amounts paid for Mr. Hislop's mortgage accrued interest at 8% per annum. The note receivable balance was \$114 as of December 26, 2010 consisting of \$107 in principal and \$7 in interest. Mr. Hislop repaid this note receivable along with interest of \$10 in June of 2011 and the note was extinguished.

### **Purchase of Common Stock by Company Executives**

In April 2009, the Company sold 33,411 shares of common stock at a price of \$5.99 per share for an aggregate purchase price of \$200 to Frank Biller, the Company's Vice President of Operations, Southeast Region.

In December 2010, the Company sold 9,969 shares of common stock at a price per share of \$10.04 for an aggregate purchase price of \$100 to both Ted Zapp, Vice President of Operations and Sharon Russell, Chief Administrative Officer and 4,984 shares of common stock at a price per share of \$10.04 for an aggregate purchase price of \$50 to Michael Hatcher, Vice President of Real Estate and Development.

Pursuant to the Chief Financial Officer joining the Company, the Company agreed to sell 8,489 shares of common stock at a price per share of \$11.78 for an aggregate purchase price of \$100 on August 15, 2011.

The price per share of each of these common stock purchases by Company executives was estimated to be the fair value of the stock at the date of purchase as determined by the quarterly contemporaneous valuation completed by the Company's board of directors. For additional information on the contemporaneous valuation, see Note 10 Stock-Based Compensation. Since this stock was sold to each of the officers at its fair value, no stock-based compensation expense was recorded.

## **14. SETTLEMENT WITH FORMER DIRECTOR**

In June 2011, the Company entered into a settlement agreement with a former director. The settlement agreement provided the Company pay the former director a settlement of \$175 and a special dividend of approximately \$53 on shares issued upon exercise of stock options. The settlement was paid on June 16, 2011.

Prior to the settlement being paid, the former director exercised his stock options and purchased 30,209 shares of common stock. As part of the settlement, the Company granted a one-time put option for \$14.48 per share for the 30,209 shares purchased. At anytime from June 15, 2012, to August 13, 2012, the former director may by written notice require the Company to repurchase all or a portion of these shares at a price of \$14.48 per share. The Company reviewed this arrangement and determined that the stock be considered temporary equity and classified as common stock subject to put options. The Company recorded the common stock subject to put options at fair value on the date of issuance totaling \$426 which was reclassified from stockholders equity to temporary equity, including \$70 recorded as settlement expense. This fair value was determined by adding \$70, the excess of the aggregate put price of the shares over the aggregate fair value of the shares at the issue date, discounted for the period from the issue date through the expected exercise date, to \$356, the aggregate fair value of the shares at the date of the settlement, for a total fair value at the issue date of \$426. The fair value per share of the stock at the date of the settlement agreement of \$11.78 was determined by the most recent quarterly contemporaneous valuation performed by the board of directors. The common stock subject to the put option is reflected as common stock subject to put option on the accompanying balance sheet. The Company will accrete changes in fair value to the redemption value over the period from the date of issuance to the earliest redemption date on a straight line basis. At December 25, 2011 the recorded balance of \$432 consisted of the aforementioned \$426 and accretion of \$6 from the date of the settlement agreement to December 25, 2011. On August 13, 2012 the put option expired and \$432 was reclassified from temporary equity.

## **15. DEFERRED COMPENSATION**

Concurrent with the Sponsor's investment in November 2006, the Company entered into employment agreements with certain employees. The employment agreements provided for the payment of specified bonuses over a two- to three-year period. Certain of the employment agreements required the employee to remain employed with the Company for two years to continue receiving payments while certain employment agreements had no continued service requirements. The present value of the bonus obligations was recognized as compensation expense on a straight-line basis over the requisite service period.

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Certain employees were also entitled to receive future bonus payments directly from an entity owned by the Founders provided they completed the two-year service requirement. Compensation cost under these agreements was determined based on the present value of the obligation at November 2006 and was recognized on a straight-line basis over the requisite service period with a corresponding credit to paid-in capital. Interest expense has been recorded for the accretion of the obligation on the effective interest method with a corresponding credit to paid-in capital. Final incentive payments made by the Company under this plan ended August 2009.

### **16. REVERSE STOCK SPLIT**

In connection with the initial public offering, on July 11, 2012, we amended our certificate of incorporation to effect a 2.7585470602469:1 reverse stock split of our common stock, series A preferred stock, series B preferred stock and series X preferred stock. Concurrent with the reverse stock split, we adjusted the number of shares subject to and the exercise price of our outstanding stock option awards under the Plan such that the holders of the options are in the same economic position both before and after the reverse stock split. Immediately prior to this offering, we will amend and restate our certificate of incorporation to convert each outstanding share of our series A preferred stock, series B preferred stock and series X preferred stock into our common stock on a 1:1 basis.

Under the Codification 718-20-35-6, changes in the terms of stock options in conjunction with an equity restructuring such as a reverse stock split are deemed to be modifications. In order to determine whether the modification results in additional compensation cost, the fair value of the awards immediately after the equity restructuring will be compared to the corresponding fair values immediately prior to the equity restructuring. The aggregate fair value of the stock options prior to the restructuring will approximate the aggregate fair value immediately after the equity restructuring and therefore will require no adjustment to stock-based compensation expense.

As a result of the reverse stock split, all previously reported share amounts, including options in the accompanying financial statements and related notes have been retrospectively restated to reflect the reverse stock split.

### **17. SUBSEQUENT EVENTS**

Subsequent to September 23, 2012, the Company opened two new restaurants for a total of 40 restaurants.

On November 30, 2012, the Company entered into a secured \$25,000 revolving credit facility (the "Credit Facility") with Wells Fargo Bank, National Association. On that same date, the Company borrowed \$5,000 under the Credit Facility to pay fees and expenses associated with the Credit Facility and to repay the outstanding borrowings under its prior senior secured credit facility (the "Prior Facility").

The Credit Facility (a) will mature on November 30, 2017, unless the Company exercises its option to voluntarily reduce all of the commitment before the maturity date, (b) accrues commitment fees on the daily unused commitment of the lender at the applicable margin, which varies based on the Company's leverage ratio and (c) includes a sub-facility for letters of credit up to an aggregate amount of \$5 million. All borrowings under the Credit Facility will bear interest at a variable rate based, at the Company's election, on (i) the base rate, which is the highest of the prime rate, federal funds rate or one month LIBOR plus 1%, or (ii) LIBOR, plus, in either case, an applicable margin based on the Company's total leverage ratio. Interest is due at the end of each quarter if the Company selects to pay interest based on the base rate and at the end of each LIBOR period if it selects to pay interest based on LIBOR.

The Credit Facility contains certain affirmative and negative covenants and events of default that the Company considers customary for an agreement of this type, including covenants setting a maximum leverage ratio and a minimum fixed charge coverage ratio.

As a result of entering into the revolving credit facility, the Company will record an expense of \$91 to write off the unamortized loan origination fees related to the retired senior secured credit facility. The Company paid loan origination costs of approximately \$200 related to the revolving credit facility, and will amortize these loan origination costs over the term of the credit agreement.

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through the date of issuance.



Until \_\_\_\_\_, 2013 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

**4,500,000 Shares**



**Chuy's Holdings, Inc.**

**Common Stock**

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PRELIMINARY PROSPECTUS

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*Joint Book-Running Managers*

**Jefferies  
Baird**

*Co-Managers*

**KeyBanc Capital Markets  
Raymond James  
Stephens Inc.**

, 2013

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**PART II: INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other expenses of issuance and distribution.**

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the issuance and distribution of the shares of common stock being registered. All amounts shown are estimates except for the SEC registration fee.

	<b>AMOUNT TO BE PAID</b>
SEC registration fee	\$ 16,200
Printing and engraving expense	135,000
Legal fees and expenses	275,000
Accounting fees and expenses	75,000
FINRA filing fee	10,000
Transfer agent fees and expenses	5,300
Miscellaneous expenses	33,500
Total	<u>\$ 550,000</u>

**Item 14. Indemnification of directors and officers.**

We are incorporated under the laws of the State of Delaware. Section 145 of the Delaware General Corporation Law provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who are, or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses that such officer or director has actually and reasonably incurred. Our certificate of incorporation and our bylaws, each of which as will become effective upon the closing of this offering, provide for the indemnification of our directors and officers to the fullest extent permitted under the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- transaction from which the director derives an improper personal benefit;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends, unlawful stock purchase or redemption of shares; or
- breach of a director's duty of loyalty to the corporation or its stockholders.

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Our certificate of incorporation and bylaws include such a provision. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by us upon delivery to us of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by us.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, we have entered into indemnity agreements with each of our directors and officers that require us to indemnify such persons against any and all expenses (including attorneys' fees), witness fees, judgments, fines, settlements and other amounts incurred (including expenses of a derivative action) in connection with any action, suit or proceeding or alternative dispute resolution mechanism, inquiry hearing or investigation, whether threatened, pending or completed, to which any such person may be made a party by reason of the fact that such person is or was a director, an officer or an employee of our company, provided that such person's conduct did not constitute a breach of his or her duty of loyalty to us or our stockholders, and was not an act or omission not in good faith or which involved intentional misconduct or a knowing violation of laws.

At present, there is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

We have an insurance policy covering our officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act or otherwise.

We plan to enter into an underwriting agreement that provides that the underwriters are obligated, under some circumstances, to indemnify our directors, officers and controlling persons against specified liabilities, including liabilities under the Securities Act.

### **Item 15. Recent Sales of Unregistered Securities.**

Except as set forth below, in the three years preceding the filing of this registration statement, we have not issued any securities that were not registered under the Securities Act.

In August 2011, we sold 8,489 shares of our common stock at a price per share of \$11.78 for an aggregate purchase price of \$100,003 to Jon Howie.

In December 2010, we sold 9,969 shares of our common stock at a price per share of \$10.04 for an aggregate purchase price of \$100,048 to each of Ted Zapp, Sharon Russell and John Mountford and 4,984 shares of our common stock at a price per share of \$10.04 for an aggregate purchase price of \$50,024 to Michael Hatcher.

In May 2010, we sold 607,680 shares of our series X preferred stock at a price of \$8.23 per share for an aggregate purchase price of \$5.0 million to an affiliate of Goode Chuy's Holdings, LLC, Steve Hislop, Frank Biller, MY/ZP Equity, LP, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P.

In May 2008, we sold 101,502 shares of our common stock at a price of \$2.76 per share for an aggregate purchase price of \$280,000 to Steve Hislop, our Chief Executive Officer, and, in April 2009, we sold 33,411 shares of our common stock at a price of \$5.99 per share for an aggregate purchase price of \$200,000 to Frank Biller, our Vice President of Operations, Southeast.

Since December 6, 2006, we have granted 1,112,340 options to purchase shares of our common stock to employees under our Amended and Restated 2006 Stock Option Plan at exercise prices ranging from \$2.76 to \$21.05 per share. During this period, options to purchase 30,209 shares of our common stock were exercised with an average per share exercise price of \$2.76 for cash consideration to us in the aggregate amount of \$83,334.

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The issuances of options, shares upon the exercise of options, series X preferred stock and common stock described above were deemed exempt from registration under Section 4(a)(2) or Regulation D of the Securities Act. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. The recipients of securities in the transactions exempt under Section 4(a)(2) or Regulation D of the Securities Act represented their intention to acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and instruments issued in such transactions.

### **Item 16. Exhibits and financial statement schedules.**

#### **(a) Exhibits**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
†1.1	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on July 27, 2012)
3.2	Amended and Restated Bylaws as of the close of this offering (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on July 27, 2012)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
4.2	Amended and Restated Stockholders Agreement, dated May 4, 2010, by and among Chuy's Holdings, Inc., MY/ZP Equity, LP, Goode Chuy's Holdings, LLC, Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC, 522 Fifth Avenue Fund, L.P., and certain other stockholders, optionholders and permitted transferees (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
4.3	Amendment to Amended and Restated Stockholders Agreement, dated July 9, 2012, by and among Chuy's Holdings, Inc., MY/ZP Equity, LP, Goode Chuy's Holdings, LLC, Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC, 522 Fifth Avenue Fund, L.P., and certain other stockholders, optionholders and permitted transferees (incorporated by reference to Exhibit 4.3 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
†5.1	Opinion of Jones Day
10.1	Credit Agreement, dated May 24, 2011, by and among Chuy's Opco, Inc., as borrower, subsidiaries of Chuy's Holdings, Inc., as guarantors, the lenders party thereto, General Electric Capital Corporation, as syndication agent, and GCI Capital Markets LLC, as administrative agent and sole bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.2	Employment Agreement, dated July 9, 2007, between Chuy's Opco, Inc. and Steven J. Hislop (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.3	Chuy's Holdings, Inc. 2012 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.4	Form of Restricted Share Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.4 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.5	Form of Option Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.5 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)

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<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
10.6	Chuy's Holdings, Inc. 2006 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.7	Form of Stock Option Award Agreement (2006 Stock Option Plan) (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.8	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.8 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.9	Letter Agreement regarding Arbor Trails Chuy's, dated November 7, 2006, by and between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.10	Recipe License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.11	Banana Peel Software License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and Banana Peel, LLC (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.12	Cross-Marketing License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.13	Management Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.14	Management System License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.15	Parade Sponsorship Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.16	Settlement Agreement, dated June 15, 2011, among Chuy's Holdings, Inc., Goode Partners LLC, the Shackelford Affiliates and Goode Consumer Fund I, L.P. (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.17	Promissory Note, dated November 7, 2006, between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.18	Form of Chuy's Holdings, Inc.'s 2009 Common Stock Subscription Agreement (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.19	Form of Chuy's Holdings, Inc.'s 2010 Common Stock Subscription Agreement (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.20	Form of Chuy's Holdings, Inc.'s 2010 Series X Preferred Stock Subscription Agreement (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)

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<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
10.21	Form of License Exercisable Upon Event of Default Under Lease Agreement (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.22	Advisory Agreement, dated November 7, 2006, between Chuy's Opco, Inc. and Goode Partners LLC (incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.23	Lease Agreement, dated November 7, 2006, between Young Zapp Graceland, Ltd. and Chuy's Opco, Inc. (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.24	Lease Agreement, dated January 1, 2002, between Young Zapp North Lamar, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.25	Lease Agreement, dated November 1, 1998, between Young-Zapp Joint Venture II and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.26	Lease Agreement, dated November 19, 1996, between Young Zapp Joint Venture-IV and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.27	Lease Agreement, dated January 22, 2001, between Young Zapp JVRR, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.28	Lease Agreement, dated June 1, 2003, between Young Zapp Shenandoah, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.29	Lease Agreement, dated April 22, 2008, between Young Zapp Arbor Trails, Ltd. and Chuy's Opco, Inc. (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.30	Form of Right to Repurchase Agreement (incorporated by reference to Exhibit 10.30 of Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-176097), filed on October 27, 2011)
10.31	Employment Agreement, dated November 16, 2011, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Steven J. Hislop (incorporated by reference to Exhibit 10.31 of Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-176097), filed on November 17, 2011)
10.32	Employment Agreement, dated November 16, 2011, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Jon W. Howie (incorporated by reference to Exhibit 10.32 of Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-176097), filed on November 17, 2011)
10.33	Form of Employment Agreement, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and certain employees (incorporated by reference to Exhibit 10.33 of Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-176097), filed on November 16, 2011)
10.34	Chuy's Holdings, Inc. Senior Management Incentive Plan (incorporated by reference to Exhibit 10.34 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.35	Consent and First Amendment to Credit Agreement, dated as of March 21, 2012, by and among Chuy's Opco, Inc., as borrower, the persons designated on the signature pages thereto as guarantors, the lenders party thereto and GCI Capital Markets LLC, as administrative agent for all lenders (incorporated by reference to Exhibit 10.35 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)

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<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
10.36	Agreement Relating to Termination of Advisory Agreement, dated as of March 21, 2012, between Chuy's Opco, Inc. and Goode Partners LLC (incorporated by reference to Exhibit 10.36 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)
10.37	Chuy's Holdings, Inc. Amended and Restated 2006 Stock Option Plan (incorporated by reference to Exhibit 10.37 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)
10.38	Voting Agreement, dated July 9, 2012, by and among Goode Chuy's Holdings, LLC, MY/ZP Equity, LP, Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P. (incorporated by reference to Exhibit 10.38 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.39	Credit Agreement, dated November 30, 2012, by and among Chuy's Holdings, Inc., as borrower, the subsidiaries of Chuy's Holdings, Inc., as guarantors, and Wells Fargo Bank, N.A., as administrative agent, swingline lender, issuing lender and lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 6, 2012)
21.1	Subsidiaries of Chuy's Holdings, Inc. (incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
†23.1	Consent of McGladrey LLP
†23.2	Consent of Jones Day (included in Exhibit 5.1)
*24.1	Power of Attorney
*99.1	Consent of Technomic, Inc.
†99.2	Cover Page
†101.INS	XBRL Instance Document
†101.SCH	XBRL Taxonomy Extension Schema Document
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Filed herewith.

\* Previously filed.

### **(b) Financial Statement Schedule**

See the Index to Financial Statements included on page F-1 for a list of the financial statements included in this registration statement

### **Item 17. Undertakings.**

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a

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court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Austin, State of Texas, on January 22, 2013.

CHUY'S HOLDINGS, INC.

By: /s/ Steven J. Hislop  
Steven J. Hislop  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated on January 22, 2013.

<u>SIGNATURES</u>	<u>TITLE</u>
<u>/s/ Steven J. Hislop</u> Steven J. Hislop	Director, President and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Jon W. Howie</u> Jon W. Howie	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>*</u> Jose Ferreira, Jr.	Chairman of the Board, Director
<u>*</u> Starlette Johnson	Director
<u>*</u> Saed Mohseni	Director
<u>*</u> David J. Oddi	Director
<u>*</u> Michael C. Stanley	Director
<u>*</u> Michael R. Young	Director
<u>*</u> John A. Zapp	Director
<u>*</u> Ira L. Zecher	Director

\*By: /s/ Sharon Russell  
Name: Sharon Russell  
Title: Chief Administrative Officer



**EXHIBIT INDEX**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
†1.1	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on July 27, 2012)
3.2	Amended and Restated Bylaws as of the close of this offering (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on July 27, 2012)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
4.2	Amended and Restated Stockholders Agreement, dated May 4, 2010, by and among Chuy's Holdings, Inc., MY/ZP Equity, LP, Goode Chuy's Holdings, LLC, Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC, 522 Fifth Avenue Fund, L.P., and certain other stockholders, optionholders and permitted transferees (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
4.3	Amendment to Amended and Restated Stockholders Agreement, dated July 9, 2012, by and among Chuy's Holdings, Inc., MY/ZP Equity, LP, Goode Chuy's Holdings, LLC, Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC, 522 Fifth Avenue Fund, L.P., and certain other stockholders, optionholders and permitted transferees (incorporated by reference to Exhibit 4.3 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
†5.1	Opinion of Jones Day
10.1	Credit Agreement, dated May 24, 2011, by and among Chuy's Opco, Inc., as borrower, subsidiaries of Chuy's Holdings, Inc., as guarantors, the lenders party thereto, General Electric Capital Corporation, as syndication agent, and GCI Capital Markets LLC, as administrative agent and sole bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.2	Employment Agreement, dated July 9, 2007, between Chuy's Opco, Inc. and Steven J. Hislop (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.3	Chuy's Holdings, Inc. 2012 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.4	Form of Restricted Share Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.4 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.5	Form of Option Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.5 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.6	Chuy's Holdings, Inc. 2006 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.7	Form of Stock Option Award Agreement (2006 Stock Option Plan) (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.8	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.8 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)

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<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.9	Letter Agreement regarding Arbor Trails Chuy's, dated November 7, 2006, by and between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.10	Recipe License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.11	Banana Peel Software License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and Banana Peel, LLC (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.12	Cross-Marketing License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.13	Management Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.14	Management System License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.15	Parade Sponsorship Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.16	Settlement Agreement, dated June 15, 2011, among Chuy's Holdings, Inc., Goode Partners LLC, the Shackelford Affiliates and Goode Consumer Fund I, L.P. (incorporated by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.17	Promissory Note, dated November 7, 2006, between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.18	Form of Chuy's Holdings, Inc.'s 2009 Common Stock Subscription Agreement (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.19	Form of Chuy's Holdings, Inc.'s 2010 Common Stock Subscription Agreement (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.20	Form of Chuy's Holdings, Inc.'s 2010 Series X Preferred Stock Subscription Agreement (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.21	Form of License Exercisable Upon Event of Default Under Lease Agreement (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.22	Advisory Agreement, dated November 7, 2006, between Chuy's Opco, Inc. and Goode Partners LLC (incorporated by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.23	Lease Agreement, dated November 7, 2006, between Young Zapp Graceland, Ltd. and Chuy's Opco, Inc. (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)

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<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
10.24	Lease Agreement, dated January 1, 2002, between Young Zapp North Lamar, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.25	Lease Agreement, dated November 1, 1998, between Young-Zapp Joint Venture II and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.26	Lease Agreement, dated November 19, 1996, between Young Zapp Joint Venture-IV and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.27	Lease Agreement, dated January 22, 2001, between Young Zapp JVRR, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.28	Lease Agreement, dated June 1, 2003, between Young Zapp Shenandoah, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.29	Lease Agreement, dated April 22, 2008, between Young Zapp Arbor Trails, Ltd. and Chuy's Opco, Inc. (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
10.30	Form of Right to Repurchase Agreement (incorporated by reference to Exhibit 10.30 of Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-176097), filed on October 27, 2011)
10.31	Employment Agreement, dated November 16, 2011, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Steven J. Hislop (incorporated by reference to Exhibit 10.31 of Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-176097), filed on November 17, 2011)
10.32	Employment Agreement, dated November 16, 2011, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Jon W. Howie (incorporated by reference to Exhibit 10.32 of Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-176097), filed on November 17, 2011)
10.33	Form of Employment Agreement, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and certain employees (incorporated by reference to Exhibit 10.33 of Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-176097), filed on November 16, 2011)
10.34	Chuy's Holdings, Inc. Senior Management Incentive Plan (incorporated by reference to Exhibit 10.34 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.35	Consent and First Amendment to Credit Agreement, dated as of March 21, 2012, by and among Chuy's Opco, Inc., as borrower, the persons designated on the signature pages thereto as guarantors, the lenders party thereto and GCI Capital Markets LLC, as administrative agent for all lenders (incorporated by reference to Exhibit 10.35 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)
10.36	Agreement Relating to Termination of Advisory Agreement, dated as of March 21, 2012, between Chuy's Opco, Inc. and Goode Partners LLC (incorporated by reference to Exhibit 10.36 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)
10.37	Chuy's Holdings, Inc. Amended and Restated 2006 Stock Option Plan (incorporated by reference to Exhibit 10.37 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)

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<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
10.38	Voting Agreement, dated July 9, 2012, by and among Goode Chuy's Holdings, LLC, MY/ZP Equity, LP, Goode Chuy's Direct Investors, LLC, J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P. (incorporated by reference to Exhibit 10.38 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
10.39	Credit Agreement, dated November 30, 2012, by and among Chuy's Holdings, Inc., as borrower, the subsidiaries of Chuy's Holdings, Inc., as guarantors, and Wells Fargo Bank, N.A., as administrative agent, swingline lender, issuing lender and lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 6, 2012)
21.1	Subsidiaries of Chuy's Holdings, Inc. (incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
†23.1	Consent of McGladrey LLP
†23.2	Consent of Jones Day (included in Exhibit 5.1)
*24.1	Power of Attorney
*99.1	Consent of Technomic, Inc.
†99.2	Cover Page
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†101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Filed herewith.

\* Previously filed.

4,500,000

Chuy's Holdings, Inc.

Common Shares

**FORM OF UNDERWRITING AGREEMENT**

[            ], 2013

JEFFERIES & COMPANY, INC.  
ROBERT W. BAIRD & CO. INCORPORATED  
As Representatives of the several Underwriters

c/o JEFFERIES & COMPANY, INC.  
520 Madison Avenue  
New York, New York 10022

c/o ROBERT W. BAIRD & CO. INCORPORATED  
777 East Wisconsin Avenue, Suite 2800  
Milwaukee, Wisconsin 53202

Ladies and Gentlemen:

**Introductory.** Certain stockholders of Chuy's Holdings, Inc., a Delaware corporation (the "**Company**"), named in Schedule A-1, Schedule A-2 and Schedule A-3 (collectively, the "**Selling Stockholders**") severally propose to sell to the several underwriters named in Schedule B (the "**Underwriters**") an aggregate of 4,500,000 shares of common stock, par value \$0.01 per share, of the Company (the "**Shares**"). The 4,500,000 Shares to be sold by the Selling Stockholders are called the "**Firm Shares**." In addition, the Selling Stockholders have severally granted to the Underwriters an option to purchase up to an additional 675,000 Shares, with each Selling Stockholder selling up to the amount set forth opposite such Selling Stockholder's name in Schedule A-1, Schedule A-2 and Schedule A-3, as provided in Section 2. The additional 675,000 Shares to be sold by the Selling Stockholders pursuant to such option are collectively called the "**Optional Shares**." The Firm Shares and, if and to the extent such option is exercised, the Optional Shares are collectively called the "**Offered Shares**." Jefferies & Company, Inc. ("**Jefferies**") and Robert W. Baird & Co. Incorporated ("**Baird**") have agreed to act as Representatives of the several Underwriters (in such capacity, the "**Representatives**") in connection with the offering and sale of the Offered Shares.

The Company has prepared and filed with the Securities and Exchange Commission (the "**Commission**") a registration statement on Form S-1 (File No. 333-186008), which contains a form of prospectus to be used in connection with the public offering and sale of the Offered Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "**Securities Act**"), including any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A under the Securities Act, is called the "**Registration**

**Statement.** Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the **“Rule 462(b) Registration Statement,”** and from and after the date and time of filing of the Rule 462(b) Registration Statement the term “Registration Statement” shall include the Rule 462(b) Registration Statement. Such prospectus, in the form first used by the Underwriters to confirm sales of the Offered Shares or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act, is called the **“Prospectus.”** The preliminary prospectus dated [ ], 2013 describing the Offered Shares and the offering thereof is called the **“Preliminary Prospectus,”** and the Preliminary Prospectus and any other preliminary prospectus that describes the Offered Shares and the offering thereof and is used prior to the filing of the Prospectus (as defined below) is called a **“preliminary prospectus.”** As used herein, **“Applicable Time”** is 5:30 p.m. (New York time) on [ ], 2013. As used herein, **“free writing prospectus”** has the meaning set forth in Rule 405 under the Securities Act, and **“Time of Sale Prospectus”** means the preliminary prospectus, as amended or supplemented immediately prior to the Applicable Time, together with the free writing prospectuses, if any, identified in Schedule C hereto (including any orally communicated pricing information). As used herein, **“Road Show”** means a “road show” (as defined in Rule 433 under the Securities Act) relating to the offering of the Offered Shares contemplated hereby that is a “written communication” (as defined in Rule 405 under the Securities Act). As used herein, **“Section 5(d) Written Communication”** means each written communication (within the meaning of Rule 405 under the Securities Act) that is made in reliance on Section 5(d) of the Securities Act by the Company or any person authorized to act on behalf of the Company to one or more potential investors that are qualified institutional buyers (**“QIBs”**) and/or institutions that are accredited investors (**“IAIs”**), as such terms are respectively defined in Rule 144A and Rule 501(a) under the Securities Act, to determine whether such investors might have an interest in the offering of the Offered Shares; **“Section 5(d) Oral Communication”** means each oral communication, if any, made in reliance on Section 5(d) of the Securities Act prior to the filing of the Registration Statement by the Company or any person authorized to act on behalf of the Company made to one or more QIBs and/or one or more IAIs to determine whether such investors might have an interest in the offering of the Offered Shares; **“Marketing Materials”** means any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Offered Shares, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically); and **“Permitted Section 5(d) Communication”** means the Section 5(d) Written Communications and Marketing Materials listed on Schedule D attached hereto reviewed and consented to by the Company.

All references in this Agreement to (i) the Registration Statement, the 462(b) Registration Statement, any Preliminary Prospectus, a preliminary prospectus, or the Prospectus, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System (**“EDGAR”**) and (ii) the Prospectus shall be deemed to include the **“electronic Prospectus”** provided for use in connection with the offering of the Offered Shares as contemplated by Section 3(o) of this Agreement.

The Company and each of the Selling Stockholders hereby confirm their respective agreements with the Underwriters as follows:

**Section 1.** Representations and Warranties of the Company and the Selling Stockholders.

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**A. Representations and Warranties of the Company.** The Company hereby represents, warrants and covenants to each Underwriter, as of the date of this Agreement, as of the First Closing Date (as hereinafter defined) and as of each Option Closing Date (as hereafter defined), if any, as follows:

(a) *Compliance with Registration Requirements.* The Registration Statement and any Rule 462(b) Registration Statement have been declared effective by the Commission under the Securities Act. The Company has complied to the Commission's satisfaction with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

Each preliminary prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Securities Act), was identical to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Offered Shares. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became effective and until such time as the Underwriters are no longer required to deliver a Prospectus in order to confirm sales of the Offered Shares, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the Applicable Time, the Time of Sale Prospectus (including any preliminary prospectus wrapper) did not, and at the time of the sale of the Offered Shares to each of the Underwriters and at the First Closing Date (as defined in Section 2), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus (including any Prospectus wrapper), as amended or supplemented, as of its date and until such time as the Underwriters are no longer required to deliver a Prospectus in order to confirm sales of the Offered Shares, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment thereto, or the Prospectus or the Time of Sale Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to (i) any Underwriter furnished to the Company in writing by the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by the Representatives to the Company consists of the information described in Section 9(c) below and (ii) any Selling Stockholder furnished to the Company in writing by such Selling Stockholder expressly for use therein, it being understood and agreed that the only such information furnished by the Selling Stockholders to the Company consists of the information described in Section 1(B)(h) below. There are no contracts or other documents required to be described in the Time of Sale Prospectus or the Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required.

The Company is not an “ineligible issuer” in connection with the offering of the Offered Shares pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of Rule 433 under the Securities Act including timely filing with the Commission or retention where required and legending, and each such free writing prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Shares did not, does not and will not include any information that conflicted, conflicts with or will conflict with the information contained in the Registration Statement, the Prospectus or any preliminary prospectus. Except for the free writing prospectuses, if any, identified in Schedule C hereto, and electronic road shows, if any, furnished to the Representatives before first use, the Company has not prepared, used or referred to, and will not, without the Representatives’ prior consent, which consent shall not be unreasonably withheld, pursuant to Section 3(c), prepare, use or refer to, any free writing prospectus. Each Road Show, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) *Offering Materials Furnished to Underwriters.* The Company has delivered to the Representatives one complete copy of the Registration Statement, each amendment thereto and any Rule 462(b) Registration Statement and of each consent and certificate of experts filed as a part thereof, and conformed copies of the Registration Statement, each amendment thereto and any Rule 462(b) Registration Statement (without exhibits) and preliminary prospectuses, the Time of Sale Prospectus, the Prospectus, as amended or supplemented, and any free writing prospectus reviewed and consented to by the Representatives pursuant to Section 3(c), in such quantities and at such places as the Representatives have reasonably requested for each of the Underwriters.

(c) *Distribution of Offering Material By the Company.* The Company has not distributed and will not distribute, prior to the later of (i) the expiration or termination of the option granted to the several Underwriters in Section 2, (ii) the completion of the Underwriters’ distribution of the Offered Shares and (iii) the expiration of 25 days after the date of the Prospectus, any offering material in connection with the offering and sale of the Offered Shares other than a preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus reviewed and consented to by the Representatives, which consent shall not be unreasonably withheld, pursuant to Section 3(c), any Permitted Section 5(d) Communications or the Registration Statement.

(d) *The Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by, and is a binding agreement of, the Company.

(e) *No Applicable Registration or Other Similar Rights.* There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly waived.



(f) *No Material Adverse Change.* Except as otherwise disclosed in the Time of Sale Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Prospectus: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and its subsidiaries, considered as one entity (any such change is called a “**Material Adverse Change**”); (ii) the Company and its subsidiaries, considered as one entity, have not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company or, except for dividends paid to the Company or other subsidiaries, any of its subsidiaries on any class of capital stock or repurchase or redemption by the Company or any of its subsidiaries of any class of capital stock.

(g) *Independent Accountants.* McGladrey LLP, who have expressed their opinion with respect to the financial statements (which term as used in this Agreement includes the related notes thereto) filed with the Commission as a part of the Registration Statement and included in the Preliminary Prospectus, the Prospectus and Time of Sale Prospectus (each, an “**Applicable Prospectus**” and collectively, the “**Applicable Prospectuses**”), are (i) independent public or certified public accountants as required by the Securities Act, (ii) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X and (iii) a registered public accounting firm as defined by the Public Company Accounting Oversight Board (the “**PCAOB**”) whose registration has not been suspended or revoked and who has not requested such registration to be withdrawn.

(h) *Preparation of the Financial Statements.* The financial statements filed with the Commission as a part of the Registration Statement and included in the Applicable Prospectuses present fairly in all material respects the consolidated financial position of the Company and its subsidiaries as of and at the dates indicated and the results of their operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. The interactive data in eXtensible Business Reporting Language included in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission’s rules and guidelines applicable thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement or any Applicable Prospectus. The financial data set forth in each Applicable Prospectus under the captions “Prospectus Summary—Summary Historical Financial and Operating Data,” “Selected Consolidated Historical Financial and Operating Data” and “Capitalization” fairly present the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement and each Applicable Prospectus. To the Company’s knowledge, no person who has been suspended or barred from being associated with a registered public accounting firm, or who has failed to comply with any sanction pursuant to Rule 5300 promulgated by the PCAOB, has participated in or otherwise aided the preparation of, or audited, the financial statements, supporting schedules or other financial data filed with the Commission as a part of the Registration Statement and included in any Applicable Prospectus.

(i) *Company's Accounting System.* The Company and each of its subsidiaries make and keep books and records that are accurate in all material respects and maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) the interactive data in eXtensible Business Reporting Language included in the Registration Statement, the Time of Sale Prospectus and the Prospectus fairly presents the information called for in all material respects and is prepared in accordance with the Commission's rules and guidelines applicable thereto. Since the end of the Company's most recent fiscal year, there has not been and is no material weakness in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "**Exchange Act**")) (whether or not remediated) and no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(j) *Incorporation and Good Standing of the Company and its Subsidiaries.* Each of the Company and its subsidiaries has been duly incorporated or organized, as the case may be, and is validly existing as a corporation or limited liability company, as applicable, in good standing under the laws of the jurisdiction of its incorporation or organization and has the power and authority (corporate or other) to own, lease and operate its properties and to conduct its business as described in each Applicable Prospectus and, in the case of the Company, to enter into and perform its obligations under this Agreement. Each of the Company and each subsidiary is duly qualified as a foreign corporation, partnership or limited liability company, as applicable, to transact business and is in good standing in the State of Delaware, the State of Texas and each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except to such extent as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. All of the issued and outstanding capital stock or other equity or ownership interests of each subsidiary have been duly authorized and validly issued, are fully paid and nonassessable and, except as set forth in the Applicable Prospectuses, are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance or adverse claim, except to the extent any such security interest, mortgage, pledge, lien encumbrance or adverse claim would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than (i) the subsidiaries listed in Exhibit 21 to the Registration Statement and (ii) such other entities omitted from Exhibit 21 which, when such omitted entities are considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" within the meaning of Rule 1-02(w) of Regulation S-X.

(k) *Capitalization and Other Capital Stock Matters.* The authorized, issued and outstanding capital stock of the Company is as set forth in each Applicable Prospectus under the caption "Capitalization" (other than for subsequent issuances, if any, pursuant to employee benefit plans described in the Time of Sale Prospectus or upon the exercise of outstanding options described in each Applicable Prospectus). The Shares (including the Offered Shares) conform in all material respects to the description thereof contained in the Time of Sale Prospectus. All of the issued and outstanding Shares (including the issued and outstanding Shares owned by the Selling Stockholders) have been duly authorized and validly issued, are fully paid and nonassessable and have been

issued in compliance with federal and state securities laws. None of the outstanding Shares was issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any of its subsidiaries other than those described in each Applicable Prospectus. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in each Applicable Prospectus fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(l) *Stock Exchange Listing.* The Offered Shares are registered pursuant to Section 12(b) or 12(g) of the Exchange Act and have been approved for listing on the Nasdaq Global Market, and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Shares under the Exchange Act or delisting the Shares from the Nasdaq Global Market, nor has the Company received any notification that the Commission or the Nasdaq Global Market is contemplating terminating such registration or listing.

(m) *Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required.* Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws, partnership agreement or operating agreement or similar organizational document, as applicable, or is in default (or, with the giving of notice or lapse of time, would be in default) ("**Default**") under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound (including, without limitation, any credit agreement, indenture, pledge agreement, security agreement or other instrument or agreement evidencing, guaranteeing, securing or relating to indebtedness of the Company or any of its subsidiaries), or to which any of the property or assets of the Company or any of its subsidiaries is subject (each, an "**Existing Instrument**"), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement, and consummation of the transactions contemplated hereby and by each Applicable Prospectus (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the charter or by-laws, partnership agreement or operating agreement or similar organizational document of the Company or any subsidiary, as applicable, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, or require the consent of any other party to, any Existing Instrument and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any subsidiary, except for such conflicts, breaches, Defaults or violations specified in subsections (ii) and (iii) above that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by each Applicable Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the Securities Act, applicable state securities or blue sky laws and from the Financial Industry Regulatory Authority ("**FINRA**").

(n) *No Material Actions or Proceedings.* There are no legal or governmental actions, suits or proceedings pending or, to the best of the Company's knowledge, threatened (i) against or affecting the Company or any of its subsidiaries, (ii) which have as the subject thereof any officer or director of, or property owned or leased by, the Company or any of its subsidiaries or (iii) relating to environmental or discrimination matters, where in any such case (A) there is a reasonable possibility that such action, suit or proceeding might be determined adversely to the Company, such subsidiary or such officer or director, (B) any such action, suit or proceeding, if so determined adversely, would reasonably be expected to result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this Agreement or (C) any such action, suit or proceeding is or would be material in the context of the sale of Shares. No material labor dispute with the employees of the Company or any of its subsidiaries, or with the employees of any principal supplier, manufacturer, customer or contractor of the Company, exists or, to the best of the Company's knowledge, is threatened or imminent.

(o) *Intellectual Property Rights.* The Company and its subsidiaries own or possess valid rights to use all trademarks, service marks, trade names, trade dress, patent rights, copyrights, domain names, licenses, know-how, trade secrets and other intellectual property and proprietary rights (collectively, "**Intellectual Property Rights**") reasonably necessary to conduct their businesses as now conducted, except where lack of ownership or right to use such Intellectual Property would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change; and the expected expiration of any of such Intellectual Property Rights would not reasonably be expected to result in a Material Adverse Change. Neither the Company nor any of its subsidiaries has received, or has any reason to believe that it will receive, any notices that assert Intellectual Property Rights of others. To the knowledge of the Company, no person or entity is infringing, misappropriating, conflicting with or otherwise violating any Intellectual Property Rights of the Company or any of its subsidiaries. The Company is not a party to or bound by any options, licenses or agreements with respect to the Intellectual Property Rights of any other person or entity that are required to be set forth in the Prospectus and are not described therein. None of the technology employed by the Company or any of its subsidiaries has been obtained or is being used by the Company or any of its subsidiaries in violation of any contractual obligation binding on the Company or any of its subsidiaries or, to the Company's knowledge, any of its or its subsidiaries' officers, directors or employees or otherwise in violation of the rights of any persons, except for such violations as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. The Company and its subsidiaries use commercially reasonable efforts, consistent with industry standards, to maintain, protect and police all Intellectual Property Rights that are material to the conduct of their business.

(p) *All Necessary Permits, etc.* Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change, the Company and each subsidiary possess such valid and current certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct their respective businesses, and neither the Company nor any subsidiary has received, or has any reason to believe that it will receive, any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could result in a Material Adverse Change.

(q) *Compliance with Liquor Laws.* The Company is operating in compliance with such permits, licenses, consents, approvals, certificates, registrations, franchises, clearances and other authorizations (collectively, “**Governmental Licenses**”) of any and all jurisdictions (“**Applicable Jurisdictions**”) that require the Company to obtain such Governmental Licenses in respect of its sales or distribution of alcoholic beverages in the conduct of its business as currently conducted (collectively, the “**Liquor Permits**”), and all such Liquor Permits are in full force and effect, except where the failure to be in such compliance or for such Liquor Permits to be in full force and effect would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. The Company has fulfilled and performed all of its obligations with respect to the Liquor Permits, except where the failure to be in such compliance would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. To the Company’s knowledge, no event has occurred that has allowed, allows, or after notice or lapse of time would allow, revocation, termination, suspension or other modification thereof or results in any other impairment of the rights of the holder of any Liquor Permit that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. Except as disclosed in the Time of Sale Prospectus, the Company has not received notice, and has no knowledge, of any pending or threatened claim, suit, proceeding, hearing, enforcement, audit, investigation, arbitration or other action from the Applicable Jurisdictions alleging that any operation or activity of the Company is in violation of any applicable law, rule or regulation that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

(r) *Title to Properties.* The Company and each of its subsidiaries has good and marketable title to all of the real and tangible personal property and other assets reflected as owned in the financial statements referred to in Section 1(A)(i) above, in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects, except for such security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects as would not be expected to, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. The real property, improvements, equipment and tangible personal property held under lease by the Company or any subsidiary are held under valid and enforceable leases, subject to (1) applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent transfer or other laws affecting creditors’ rights generally from time to time in effect and (2) before which any proceeding may be brought, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing, in each case, regardless of whether considered in a proceeding in equity or at law (clauses (1) and (2), collectively, the “**Enforceability Exceptions**”) and with such exceptions that would not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Change.

(s) *Tax Law Compliance.* The Company and its consolidated subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns and have paid all taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(A)(i) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company or any of its consolidated subsidiaries has not been finally determined.

(t) *Company Not an "Investment Company"*. The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). The Company is not an "**investment company**" within the meaning of Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(u) *Insurance*. Each of the Company and its subsidiaries are insured by recognized institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary for their businesses including, but not limited to, policies covering real and tangible personal property owned or leased by the Company and its subsidiaries against theft, damage, destruction, acts of vandalism and earthquakes and policies covering the Company and its subsidiaries for product liability claims. The Company has no reason to believe that it or any subsidiary will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. Neither of the Company nor any subsidiary has been denied any insurance coverage which it has sought or for which it has applied.

(v) *No Price Stabilization or Manipulation; Compliance with Regulation M*. The Company has not taken, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other "**reference security**" (as defined in Rule 100 of Regulation M under the 1934 Act ("**Regulation M**")) whether to facilitate the sale or resale of the Offered Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M. The Company acknowledges that the Underwriters may engage in passive market making transactions in the Offered Shares on the Nasdaq Global Market in accordance with Regulation M.

(w) *Related Party Transactions*. There are no business relationships or related-party transactions involving the Company or any of its subsidiaries or any other person required to be described in each Applicable Prospectus which have not been described as required. (The Time of Sale Prospectus contains in all material respects the same description of the matters set forth in the preceding sentence contained in the Prospectus.)

(x) *FINRA Matters*. All of the information provided to the Underwriters or to counsel for the Underwriters by the Company, its officers and directors and the holders of any securities (debt or equity) or options to acquire any securities of the Company in connection with letters, filings or other supplemental information provided to FINRA pursuant to FINRA Rule 5110 or FINRA Rule 5121 is true, complete and correct.

(y) *Parties to Lock-Up Agreements*. Each of the Company's directors and executive officers and each of the other persons and entities listed in Exhibit D has executed and delivered to Jefferies and Baird a lock-up agreement in the form of Exhibit E hereto. Exhibit D hereto under the heading "Directors and Executive Officers" contains a true, complete and correct list of all directors and executive officers of the Company. If any additional persons shall become directors or executive officers of the

Company prior to the end of the Company Lock-up Period (as defined below), the Company shall cause each such person, prior to or contemporaneously with their appointment or election as a director or executive officer of the Company, to execute and deliver to Jefferies and Baird an agreement in the form attached hereto as Exhibit E.

(z) *Statistical and Market-Related Data*. The statistical, demographic and market-related data included in the Registration Statement and each Applicable Prospectus are based on or derived from sources that the Company believes to be reliable and accurate or represent the Company's good faith estimates that are made on the basis of data derived from such sources.

(aa) *No Unlawful Contributions or Other Payments*. Neither the Company nor any of its subsidiaries nor, to the best of the Company's knowledge, any employee or agent of the Company or any subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Registration Statement and each Applicable Prospectus.

(bb) *Compliance with Environmental Laws*. Except as would not, singly or in the aggregate, reasonably be expected to result in a Material Adverse Change, (i) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "**Hazardous Materials**") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "**Environmental Laws**"), (ii) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (iii) there are no pending or, to the Company's actual knowledge, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (iv) to the Company's actual knowledge, there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(cc) *ERISA Compliance*. The Company and its subsidiaries and any "**employee benefit plan**" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "**ERISA**")) established or maintained by the Company, its subsidiaries or their "**ERISA Affiliates**" (as defined below) are in compliance in all material respects with ERISA, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change. "**ERISA Affiliate**" means, with respect to the Company or a subsidiary, any member of any group of organizations described in Sections 414(b),(c),(m) or (o) of the Internal Revenue Code of 1986, as amended, and the

regulations and published interpretations thereunder (the “Code”) of which the Company or such subsidiary is a member. No “reportable event” (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any “employee benefit plan” established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates that would reasonably be expected to result in a Material Adverse Change. Except as disclosed in the Time of Sale Prospectus or as would not, individually or in the aggregate, result in a Material Adverse Change, (i) no “employee benefit plan” established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates, if such “employee benefit plan” were terminated, would have any “amount of unfunded benefit liabilities” (as defined under ERISA), (ii) neither the Company, its subsidiaries nor any of their ERISA Affiliates has incurred or reasonably expects to incur any liability under (A) Title IV of ERISA with respect to termination of, or withdrawal from, any “employee benefit plan” or (B) Sections 412, 4971, 4975 or 4980B of the Code and (iii) each “employee benefit plan” established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(dd) *Brokers*. Except for the underwriting discounts and commissions payable to the Underwriters as described in the Time of Sale Prospectus and the Prospectus, there is no broker, finder or other party that is entitled to receive from the Company any brokerage or finder’s fee or other fee or commission as a result of any transactions contemplated by this Agreement.

(ee) *No Outstanding Loans or Other Extensions of Credit*. Neither the Company nor any of its subsidiaries has any outstanding extension of credit, in the form of a personal loan, to or for any director or executive officer (or equivalent thereof) of the Company and/or such subsidiary except for such extensions of credit as are expressly permitted by Section 13(k) of the Exchange Act.

(ff) *Compliance with Laws*. The Company has not been advised, and has no reason to believe, that it and each of its subsidiaries are not conducting business in compliance with all applicable laws, rules and regulations of the jurisdictions in which it is conducting business, except where failure to be so in compliance would not result in a Material Adverse Change.

(gg) *Dividend Restrictions*. Except as disclosed in the Time of Sale Prospectus, no subsidiary of the Company is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such subsidiary’s equity securities or from repaying to the Company or any other subsidiary of the Company any amounts that may from time to time become due under any loans or advances to such subsidiary from the Company or from transferring any property or assets to the Company or to any other subsidiary.

(hh) *Foreign Corrupt Practices Act*. Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that has resulted or would result in a violation of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the “FCPA”), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in



furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA; and the Company and its subsidiaries and, to the knowledge of the Company, the Company's affiliates have conducted their respective businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(ii) *Money Laundering Laws*. The operations of the Company and its subsidiaries are, and have been conducted at all times, in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**"), except to the extent that any such noncompliance would not, individually or in the aggregate, result in a Material Adverse Change, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(jj) *OFAC*. Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**").

(kk) *No Contract Terminations*. Neither the Company nor any of its subsidiaries has sent or received any communication regarding termination of, or intent not to renew, any of the material contracts or agreements referred to or described in any preliminary prospectus, the Prospectus or any free writing prospectus, or referred to or described in, or filed as an exhibit to, the Registration Statement, and no such termination or non-renewal has been threatened by the Company or any of its subsidiaries or, to the Company's knowledge, any other party to any such contract or agreement, which threat of termination or non-renewal has been rescinded as of the date hereof.

(ll) *Emerging Growth Company Status*. Since the initial filing of the Registration Statement (or, if earlier, the first date on which the Company engaged in any Section 5(d) Written Communication or any Section 5(d) Oral Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "**Emerging Growth Company**").

(mm) *Emerging Growth Company Communications*. The Company (i) has not alone engaged in communications with potential investors in reliance on Section 5(d) of the Securities Act other than Permitted Section 5(d) Communications with the consent of the Representatives with entities that are QIBs or IAIs and (ii) has not authorized anyone other than the Representatives to engage in such communications; the Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Section 5(d) Oral Communications and Permitted Section 5(d)

Communications; as of the Applicable Time, each Permitted Section 5(d) Communication, when considered together with the Time of Sale Prospectus, did not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Permitted Section 5(d) Communication, if any, does not, as of the date hereof, conflict with the information contained in the Registration Statement, the Preliminary Prospectus and the Prospectus.

Any certificate signed by any officer of the Company or any of its subsidiaries and delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

The Company acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

**B. Representations and Warranties of the Selling Stockholders.** Each Selling Stockholder represents and warrants, severally and not jointly, to each Underwriter as follows:

(a) *The Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder, and is a binding agreement of such Selling Stockholder.

(b) *The Custody Agreement and Power of Attorney.* In the case of the Selling Stockholders named in Schedule A-1 and Schedule A-3, each of the (i) Custody Agreement signed by such Selling Stockholder and American Stock Transfer & Trust Company, as custodian (the “**Custodian**”), relating to the deposit of the Offered Shares to be sold by such Selling Stockholder (the “**Custody Agreement**”) and (ii) Power of Attorney appointing certain individuals named therein as such Selling Stockholder’s attorneys-in-fact (each, an “**Attorney-in-Fact**”) to the extent set forth therein relating to the transactions contemplated hereby and by the Prospectus (the “**Power of Attorney**”), of such Selling Stockholder has been duly authorized, executed and delivered by such Selling Stockholder and is a valid and binding agreement of such Selling Stockholder, enforceable in accordance with its terms, except as rights to indemnification thereunder may be limited by applicable law and subject to the Enforceability Exceptions.

(c) *Title to Offered Shares to be Sold.* The Selling Stockholders named in Schedule A-1 and Schedule A-2 have, and on the First Closing Date and each applicable Option Closing Date (as defined below) The Selling Stockholders named in Schedule A-1, Schedule A-2 and Schedule A-3 will have valid title to, or a valid “security entitlement” within the meaning of Section 8-501 of the New York Uniform Commercial Code (the “**UCC**”) in respect of, the Offered Shares to be sold by such Selling Stockholder pursuant to this Agreement free of all adverse claims (within the meaning of Section 8-102 of the UCC) and the legal right and power, and all authorization and approval required by applicable law to enter into this Agreement and, in the case of the Selling Stockholders named in Schedule A-1 and Schedule A-3, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Offered Shares to be sold by such Selling Stockholder pursuant to this Agreement or a security entitlement in respect of such Offered Shares.

(d) *Delivery of the Offered Shares to be Sold* Delivery of the Offered Shares which are sold by such Selling Stockholder pursuant to this Agreement will pass good and valid title to such Offered Shares and any security entitlement in respect of such Offered Shares, free and clear of any security interest, mortgage, pledge, lien, encumbrance or other adverse claim.

(e) *Non-Contravention; No Further Authorizations or Approvals Required.* The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under this Agreement, and in the case of the Selling Stockholders named in Schedule A-1 and Schedule A-3, the Custody Agreement and the Power of Attorney, will not contravene or conflict with, result in a breach of, or constitute a Default under, or require the consent of any other party to (except for any such consent that has already been obtained), (i) the charter or by-laws, limited liability company agreement or other organizational documents of such Selling Stockholder, (ii) any other agreement or instrument to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit or (iii) any provision of applicable law or any judgment, order, decree or regulation applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder, except in the case of (ii) or (iii), as would not, individually or in the aggregate, result in a Material Adverse Change. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in this Agreement, except such as have been obtained or made and are in full force and effect under the Securities Act, applicable state securities or blue sky laws and from the FINRA.

(f) *No Registration, Pre-emptive, Co-Sale or Other Similar Rights* Such Selling Stockholder (i) does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as are described in the Time of Sale Prospectus under “Shares Eligible for Future Sale,” (ii) does not have any preemptive right, co-sale right or right of first refusal or other similar right to purchase any of the Offered Shares that are to be sold by the Company or any of the other Selling Stockholders to the Underwriters pursuant to this Agreement, except for such rights as such Selling Stockholder has waived prior to the date hereof and as have been described in the Registration Statement and Time of Sale Prospectus, and (iii) does not own any warrants, options or similar rights to acquire, and does not have any right or arrangement to acquire, any capital stock, right, warrants, options or other securities from the Company, other than those described in the Registration Statement and the Time of Sale Prospectus.

(g) *No Further Consents, etc.* Except for such consents, approvals and waivers which have been obtained by such Selling Stockholder on or prior to the date of this Agreement, no consent, approval or waiver is required under any instrument or agreement to which such Selling Stockholder is a party or by which it is bound or under which it is entitled to any right or benefit, in connection with the offering, sale or purchase by the Underwriters of any of the Offered Shares which may be sold by such Selling Stockholder under this Agreement or the consummation by such Selling Stockholder of any of the other transactions contemplated hereby.

(h) *Disclosure Made by Such Selling Stockholder in the Prospectus.* All information furnished by or on behalf of such Selling Stockholder in writing expressly for use in the Registration Statement and Time of Sale Prospectus is, and on the First Closing Date and the applicable Option Closing Date will be, true, correct, and complete in all material respects, and does not, and on the First Closing Date and the applicable Option Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information, in light of the circumstances under which they were made, not misleading, it being understood and agreed that the only such information furnished by or on behalf of any Selling Stockholder consists of the description of such Selling Stockholder and the number of shares held by such Selling Stockholder as described under the caption "Principal and Selling Stockholders" in the Time of Sale Prospectus (the "**Selling Stockholder Information**"). Such Selling Stockholder confirms as accurate the number of Shares set forth opposite such Selling Stockholder's name in the Time of Sale Prospectus under the caption "Principal and Selling Stockholders" (both prior to and after giving effect to the sale of the Offered Shares).

(i) *No Price Stabilization or Manipulation; Compliance with Regulation M.* Such Selling Stockholder has not taken, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and has taken no action which would directly or indirectly violate any provision of Regulation M.

(j) *No Transfer Taxes or Other Fees.* There are no transfer taxes or other similar fees or charges under Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the sale by the Selling Stockholders of the Offered Shares, other than those that have been paid or those that are to be paid by the Company in accordance with the terms of this Agreement.

(k) *Distribution of Offering Materials by the Selling Stockholders.* The Selling Stockholders have not distributed and will not distribute, prior to the later of (i) the expiration or termination of the option granted to the several Underwriters under Section 2 and (ii) the completion of the Underwriters' distribution of the Offered Shares, any offering material in connection with the offering and sale of the Offered Shares other than a preliminary prospectus, the Time of Sale Prospectus or the Registration Statement.

(l) *OFAC.* Such Selling Stockholder is not currently subject to any U.S. sanctions administered by OFAC and will not directly or indirectly use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, or any joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

Any certificate signed by a Selling Stockholder and delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by such Selling Stockholder to each Underwriter as to the matters covered thereby.

Such Selling Stockholder acknowledges that the Underwriters and, for purposes of the opinion to be delivered pursuant to Section 6 hereof, counsel to the Selling Stockholders and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

## Section 2. Purchase, Sale and Delivery of the Offered Shares

(a) *The Firm Shares.* Upon the terms herein set forth, the Selling Stockholders severally agree to sell to the several Underwriters an aggregate of 4,500,000 Firm Shares, with each Selling Stockholder selling the number of Firm Shares set forth opposite such Selling Stockholder's name on Schedule A-1, Schedule A-2 and Schedule A-3. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Selling Stockholders the respective number of Firm Shares set forth opposite their names on Schedule B. The purchase price per Firm Share to be paid by the several Underwriters to the Selling Stockholders shall be \$[ ] per share.

(b) *The First Closing Date.* Delivery of certificates for the Firm Shares to be purchased by the Underwriters and payment therefor shall be made at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, New York (or such other place as may be agreed to by the Company and the Representatives) at 9:00 a.m. New York time, on [ ], 2013, or such other time and date not later than 1:30 p.m. New York time, on [ ], 2013 as the Representatives shall designate by notice to the Company and shall not be earlier than one hour later than three full business days after delivery of such notice (the time and date of such closing are called the "**First Closing Date**"). The Company and the Selling Stockholders hereby acknowledge that circumstances under which the Representatives may provide notice to postpone the First Closing Date as originally scheduled include, but are in no way limited to, any determination by the Company, the Selling Stockholders or the Representatives to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 11.

(c) *The Optional Shares; Option Closing Date.* In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Selling Stockholders hereby grant an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of 675,000 Optional Shares from the Selling Stockholders at the purchase price per share to be paid by the Underwriters for the Firm Shares, less an amount per share equal to any dividend or distribution declared by the Company and payable on the Firm Shares. The option granted hereunder may be exercised at any time and from time to time in whole or in part upon notice by the Representatives to the Selling Stockholders (with a copy to the Company), which notice may be given at any time within 30 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Shares as to which the Underwriters are exercising the option, (ii) the names and denominations in which the certificates for the Optional Shares are to be registered and (iii) the time, date and place at which such certificates will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in the event that such time and date are simultaneous with the First Closing Date, the term "**First Closing Date**" shall refer to the time and date of delivery of certificates for the Firm Shares and such Optional Shares). Any such time

and date of delivery, if subsequent to the First Closing Date, is called an “**Option Closing Date**” and shall be determined by the Representatives and shall not be earlier than three nor later than five full business days after delivery of such notice of exercise. If any Optional Shares are to be purchased, (a) each Underwriter agrees, severally and not jointly, to purchase the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Shares to be purchased as the number of Firm Shares set forth on Schedule B opposite the name of such Underwriter bears to the total number of Firm Shares and (b) each Selling Stockholder agrees, severally and not jointly, to sell the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Optional Shares to be sold as the number of Optional Shares set forth in Schedule A-1, Schedule A-2 and Schedule A-3 opposite the name of such Selling Stockholder bears to the total number of Optional Shares. The Representatives may cancel the option at any time prior to its expiration by giving written notice of such cancellation to each Selling Stockholder (with a copy to the Company).

(d) *Public Offering of the Offered Shares.* The Representatives hereby advise the Selling Stockholders that the Underwriters intend to offer for sale to the public, initially on the terms set forth in the Time of Sale Prospectus and the Prospectus, their respective portions of the Offered Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the Representatives, in their sole judgment, have determined is advisable and practicable.

(e) *Payment for the Offered Shares.* Payment for the Offered Shares to be sold by the Selling Stockholders named in Schedule A-1 and Schedule A-3 shall be made at the First Closing Date (and, if applicable, at each Option Closing Date) by wire transfer of immediately available funds to the order of the Custodian. Payment for the Offered Shares to be sold by the Selling Stockholder named in Schedule A-2 shall be made by wire transfer of immediately available funds to the order of the Selling Stockholder named in Schedule A-2.

It is understood that the Representatives have been authorized, for their own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Firm Shares and any Optional Shares the Underwriters have agreed to purchase. Jefferies and Baird, individually and not as the Representatives of the Underwriters, may (but shall not be obligated to) make payment for any Offered Shares to be purchased by any Underwriter whose funds shall not have been received by the Representatives by the First Closing Date or the applicable Option Closing Date, as the case may be, for the account of such Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

(f) *Delivery of the Offered Shares.* The Selling Stockholders shall deliver, or cause to be delivered, to the Representatives for the accounts of the several Underwriters through the facilities of The Depository Trust Company (“**DTC**”) and for the account of the several Underwriters certificates for the Firm Shares at the First Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Selling Stockholders shall also deliver, or cause to be delivered, to the Representatives for the accounts of the several

Underwriters, through the facilities of DTC and for the account of the several Underwriters, certificates for the Optional Shares the Underwriters have agreed to purchase at the First Closing Date or the applicable Option Closing Date, as the case may be, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The certificates for the Offered Shares shall be registered in such names and denominations as the Representatives shall have requested at least one full business day prior to the First Closing Date (or the applicable Option Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the applicable Option Closing Date, as the case may be) at a location in New York City as the Representatives may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

**Section 3. Additional Covenants of the Company.**

**A. Covenants of the Company.** The Company covenants and agrees with each Underwriter as follows:

(a) *Delivery of Registration Statement, Time of Sale Prospectus and Prospectus.* The Company shall furnish to you, without charge, as many copies of the Registration Statement, any amendments thereto and any Rule 462(b) Registration Statement (including exhibits thereto) as you may reasonably request and for delivery to each other Underwriter a conformed copy of the Registration Statement, any amendments thereto and any Rule 462(b) Registration Statement (without exhibits thereto) and shall furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 3(A)(e) or 3(A)(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) *Representatives' Review of Proposed Amendments and Supplements.* Prior to amending or supplementing the Registration Statement (including any registration statement filed under Rule 462(b) under the Securities Act), any preliminary prospectus, the Time of Sale Prospectus or the Prospectus, the Company shall furnish to the Representatives for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each such proposed amendment or supplement, and the Company shall not file or use any such proposed amendment or supplement without the Representatives' consent, which shall not be unreasonably withheld, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) *Free Writing Prospectuses.* The Company shall furnish to the Representatives for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each proposed free writing prospectus or any amendment or supplement thereto to be prepared by or on behalf of, used by, or referred to by the Company and the Company shall not file, use or refer to any proposed free writing prospectus or any amendment or supplement thereto without the Representatives' consent, which shall not be unreasonably withheld. The Company shall furnish to each Underwriter, without charge, as many copies of any free writing prospectus prepared by or on behalf of, or used by the Company, as such Underwriter may reasonably request. If at any time when a prospectus is required by the Securities Act (including, without

limitation, pursuant to Rule 173(d)) to be delivered in connection with sales of the Offered Shares (but in any event if at any time through and including the First Closing Date) there occurred or occurs an event or development as a result of which any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company shall promptly amend or supplement such free writing prospectus to eliminate or correct such conflict or so that the statements in such free writing prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such subsequent time, not misleading, as the case may be; provided, however, that prior to amending or supplementing any such free writing prospectus, the Company shall furnish to the Representatives for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of such proposed amended or supplemented free writing prospectus and the Company shall not file, use or refer to any such amended or supplemented free writing prospectus without the Representatives' consent.

(d) *Filing of Underwriter Free Writing Prospectuses.* The Company shall not take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) *Amendments and Supplements to Time of Sale Prospectus.* If the Time of Sale Prospectus is being used to solicit offers to buy the Offered Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus so that the Time of Sale Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, including the Securities Act, the Company shall (subject to Sections 3(A)(b) and 3(A)(c)) forthwith prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when delivered to a prospective purchaser, not misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law including the Securities Act.



(f) *Securities Act Compliance.* After the date of this Agreement and until such time as the Underwriters are no longer required to deliver a Prospectus in order to confirm sales of the Offered Shares, the Company shall promptly advise the Representatives in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement, any Rule 462(b) Registration Statement or any amendment or supplement to any Preliminary Prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement or any Rule 462(b) Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto, any Rule 462(b) Registration Statement or any amendment or supplement to any Preliminary Prospectus, the Time of Sale Prospectus or the Prospectus or of any order preventing or suspending the use of any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Shares from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible time. Additionally, the Company agrees that it shall comply with the provisions of Rule 424(b), Rule 433 and Rule 430A, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) or Rule 433 were received in a timely manner by the Commission.

(g) *Amendments and Supplements to the Prospectus and Other Securities Act Matters.* If any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that the Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if in the opinion of the Representatives or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus to comply with applicable law, including the Securities Act, the Company agrees (subject to Section 3(A)(b) and 3(A)(c)) to promptly prepare, file with the Commission and furnish at its own expense to the Underwriters and to dealers, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law including the Securities Act. Neither the Representatives' consent to, or delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under Sections 3(A)(b) or 3(A)(c).

(h) *Blue Sky Compliance.* The Company shall cooperate with the Representatives and counsel for the Underwriters to qualify or register the Offered Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws or Canadian provincial securities laws of those jurisdictions designated by the Representatives, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Offered Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representatives promptly of the

suspension of the qualification or registration of (or any such exemption relating to) the Offered Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible time.

(i) *Transfer Agent.* The Company shall maintain, at its expense, a registrar and transfer agent for the Shares.

(j) *Earnings Statement.* As soon as practicable, but in any event no later than fourteen months after the date of this Agreement, the Company will make generally available to its security holders and to the Representatives an earnings statement (which need not be audited) covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(k) *Exchange Act Compliance.* Until such time as the Underwriters are no longer required to deliver a Prospectus in order to confirm sales of the Offered Shares, the Company shall file all reports and documents required to be filed with the Commission pursuant to Sections 13, 14 and 15 under the Exchange Act in the manner and within the time periods required by the Exchange Act.

(l) *Listing.* The Company will use its best efforts to effect and maintain the listing of the Offered Shares on the Nasdaq Global Market and to maintain the inclusion and quotation of the Shares on the Nasdaq Global Market.

(m) *Company to Provide Copy of the Prospectus in Form That May be Downloaded from the Internet.* The Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to Jefferies and Baird an “**electronic Prospectus**” to be used by the Underwriters in connection with the offering and sale of the Offered Shares. As used herein, the term “**electronic Prospectus**” means a form of Time of Sale Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to Jefferies and Baird, that may be transmitted electronically by Jefferies and Baird to offerees and purchasers of the Offered Shares; (ii) it shall disclose the same information as the paper Time of Sale Prospectus, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to Jefferies and Baird, that will allow investors to store and have continuously ready access to the Time of Sale Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet as a whole and for on-line time). The Company hereby confirms that it has included or will include in the Prospectus filed pursuant to EDGAR or otherwise with the Commission and in the Registration Statement at the time it was declared effective an undertaking that, upon receipt of a request by an investor or his or her representative, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of the Time of Sale Prospectus.

(n) *Agreement Not to Offer or Sell Additional Shares.* During the period commencing on and including the date hereof and ending on and including the 90th day following the date of the Prospectus (as the same may be extended as described below, the “**Lock-up Period**”), the Company will not, without the prior written consent of Jefferies and Baird (which consent may be withheld at the sole discretion of Jefferies and Baird, directly or indirectly, sell (including, without limitation, any short sale), offer, contract or grant any option to sell, pledge, assign, transfer or establish an open “put equivalent position” within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement (except for registration statements on Form S-8 with respect to any and all Shares to be issued pursuant to the Company’s Amended and Restated 2006 Stock Option Plan and 2012 Omnibus Equity Incentive Plan), under the Securities Act in respect of, any Shares, options, rights or warrants to acquire Shares or securities exchangeable or exercisable for or convertible into Shares (other than as contemplated by this Agreement with respect to the Offered Shares), enter into any swap, hedge or similar arrangement or agreement that transfers in whole or in part, the economic risk of ownership of the Shares, or securities exchangeable or exercisable for or convertible into Shares currently or hereafter owned either of record or beneficially by the Company, or publicly announce the intention to do any of the foregoing; provided, however, that the Company may issue Shares or options to purchase Shares, or issue Shares upon exercise of options, pursuant to any stock option, stock bonus or other stock plan or arrangement described in each Applicable Prospectus, including pursuant to the Company’s Amended and Restated 2006 Stock Option Plan and 2012 Omnibus Equity Incentive Plan, but only if the holders of such shares, options, or shares issued upon exercise of such options, agree in writing not to sell, offer, dispose of or otherwise transfer any such shares or options during such Lock-up Period without the prior written consent of Jefferies and Baird (which consent may be withheld at the sole discretion of the Jefferies and Baird).

(o) *Future Reports to the Representatives.* During the period of three years hereafter the Company will furnish to Jefferies, 520 Madison Avenue, New York, New York 10022 Attention: General Counsel and to Baird, 777 East Wisconsin Avenue, Suite 1800, Milwaukee, Wisconsin 53202 Attention: General Counsel; (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders’ equity and cash flows for the year then ended and the opinion thereon of the Company’s independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission, the FINRA or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its capital stock; provided that the requirements of this subsection (r) shall be satisfied to the extent the reports, communications, financial statements or other documents referenced herein are available on EDGAR.

(p) *No Stabilization or Manipulation; Compliance with Regulation M.* The Company will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and the Company will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M. If the limitations of Rule 102 of Regulation M (“**Rule 102**”) do not apply with respect to the Offered Shares or any

other reference security pursuant to any exception set forth in Section (d) of Rule 102, then promptly upon notice from the Representatives (or, if later, at the time stated in the notice), the Company will, and shall cause each of its affiliates to, comply with Rule 102 as though such exception were not available but the other provisions of Rule 102 (as interpreted by the Commission) did apply.

(q) *Existing Lock-Up Agreements.* During the Lock-up Period, the Company will enforce all existing agreements between the Company and any of its security holders that prohibit the sale, transfer, assignment, pledge or hypothecation of any of the Company's securities in accordance with their respective terms. In addition, the Company will direct the transfer agent to place stop transfer restrictions upon any such securities of the Company that are bound by such existing "lock-up" agreements for the duration of the periods contemplated in such agreements, including, without limitation, "lock-up" agreements entered into by the Company's officers, directors and certain stockholders pursuant to Section 6(k).

(r) *Disclosure Controls and Procedures; Deficiencies in or Changes to Internal Control Over Financial Reporting.* The Company will establish and maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), which (i) will be designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; (ii) will be evaluated by management of the Company for effectiveness as of the end of the Company's most recent fiscal quarter; and (iii) will be effective in all material respects to perform the functions for which they were established.

(s) *Emerging Growth Company Status.* The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (a) the time when a prospectus relating to the Offered Shares is not required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule) and (b) the expiration of the Lock-Up Period (as defined herein).

(x) *Amendments and Supplements to Permitted Section 5(d) Communications.* If at any time following the distribution of any Permitted Section 5(d) Communication, there occurred or occurs an event or development as a result of which such Permitted Section 5(d) Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Permitted Section 5(d) Communication to eliminate or correct such untrue statement or omission.

Jefferies and Baird, on behalf of the several Underwriters, may, in their sole discretion, waive in writing the performance by the Company of any one or more of the foregoing covenants or extend the time for their performance.

**B. Covenants of the Selling Stockholders.** Each Selling Stockholder further covenants and agrees with each Underwriter:

(a) *Agreement Not to Offer or Sell Additional Shares* Such Selling Stockholders will not, without the prior written consent of Jefferies and Baird (which consent may be withheld in their sole discretion), directly or indirectly, sell, offer, contract or grant any option to sell (including without limitation any short sale), pledge, assign, transfer, establish an open “put equivalent position” within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of any Shares, options or warrants to acquire Shares, or securities exchangeable or exercisable for or convertible into Shares currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under Exchange Act) by the undersigned or their spouse or family members, or publicly announce the undersigned’s intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on the last day of the Lock-up Period.

(b) *No Stabilization or Manipulation; Compliance with Regulation M* Such Selling Stockholders will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and such Selling Stockholder will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M. If the limitations of Rule 102 do not apply with respect to the Offered Shares or any other reference security pursuant to any exception set forth in Section (d) of Rule 102, then promptly upon notice from the Representatives (or, if later, at the time stated in the notice), such Selling Stockholder will, and shall cause each of its affiliates to, comply with Rule 102 as though such exception were not available but the other provisions of Rule 102 (as interpreted by the Commission) did apply.

(c) *Delivery of Forms W-8 and W-9*. To deliver to the Representatives prior to the First Closing Date a properly completed and executed United States Treasury Department Form W-8 (if the Selling Stockholders is a non-United States person) or Form W-9 (if the Selling Stockholders is a United States Person).

Jefferies and Baird, on behalf of the several Underwriters, may, in their sole discretion, waive in writing the performance by the Company or any Selling Stockholder of any one or more of the foregoing covenants or extend the time for their performance.

**Section 4. Payment of Expenses.** The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of the Company’s and the Selling Stockholder’s respective obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Offered Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Shares, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Offered Shares to the Underwriters, (iv) all fees and expenses of the Company’s counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, and each preliminary prospectus, each Permitted Section 5(d) Communication, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees, attorneys’ fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the

qualification or registration of) all or any part of the Offered Shares for offer and sale under the state securities or blue sky laws or the provincial securities laws of Canada, and, if requested by the Representatives, preparing and printing a “Blue Sky Survey” or memorandum and a “Canadian wrapper”, and any supplements thereto, advising the Underwriters of such qualifications, registrations, determinations and exemptions, provided that the aggregate attorneys’ fees and expenses pursuant to this clause (vi) shall not exceed \$10,000, (vii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters in connection with, the FINRA’s review, if any, and approval of the Underwriters’ participation in the offering and distribution of the Offered Shares, provided that the aggregate attorneys’ fees and expenses pursuant to this clause (vii) shall not exceed \$30,000, (viii) the costs and expenses of the Company relating to investor presentations on any “road show,” any Permitted Section 5(d) Communication or any Section 5(d) Oral Communication, undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the Representatives, employees and officers of the Company and of the Representatives and any such consultants, and 50% of the cost of any aircraft chartered in connection with the road show, with the other 50% being paid by the Underwriters, (ix) the fees and expenses associated with listing the Offered Shares on the Nasdaq Global Market, (x) all fees and expenses incident to the performance of the Selling Stockholders’ obligations under this Agreement which are not otherwise specifically provided for herein, including but not limited to (a) fees and expenses of counsel and other advisors for such Selling Stockholders, (b) fees and expenses of the Custodian and (c) expenses and taxes, including all stock transfer taxes, stamp duties and other similar taxes, if any, incident to the sale and delivery of the Offered Shares to be sold by such Selling Stockholders to the Underwriters hereunder, and (xi) all other fees, costs and expenses of the nature referred to in Item 13 of Part II of the Registration Statement. Except as provided in this Section 4, Section 7, Section 9 and Section 10 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel.

**Section 5. Covenant of the Underwriters.** Each Underwriter severally and not jointly, covenants with the Company not to take any action that would result in the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

**Section 6. Conditions of the Obligations of the Underwriters.** The obligations of the several Underwriters to purchase and pay for the Offered Shares as provided herein on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders set forth in Sections 1(A) and 1(B), respectively, hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Optional Shares, as of each Option Closing Date as though then made, to the timely performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder, and to each of the following additional conditions:

(a) *Accountants' Comfort Letter.* On the date hereof, the Representatives shall have received from McGladrey & Pullen LLP, independent public or certified public accountants for the Company, (i) a letter dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representatives, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement, the Preliminary Prospectus, Time of Sale Prospectus, and each free writing prospectus, if any, and, with respect to each letter dated the date hereof only, the Prospectus (and the Representatives shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters), and (ii) confirming that they are (A) independent public or certified public accountants as required by the Securities Act and (B) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X.

(b) *Compliance with Registration Requirements; No Stop Order; No Objection from FINRA.* For the period from and after effectiveness of this Agreement and prior to the First Closing Date and, with respect to the Optional Shares, each Option Closing Date:

- i. the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective;
- ii. no stop order suspending the effectiveness of the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment to the Registration Statement, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission; and
- iii. the FINRA shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) *No Material Adverse Change or Ratings Agency Change.* For the period from and after the date of this Agreement and through and including the First Closing Date and, with respect to the Optional Shares, each Option Closing Date:

- i. in the judgment of the Representatives there shall not have occurred any Material Adverse Change; and
- ii. there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization" as such term is used by the Commission in Section 15E of the Exchange Act.

(d) *Opinion of Counsel for the Company.* On each of the First Closing Date and each Option Closing Date the Representatives shall have received the opinion of Jones Day, counsel for the Company, dated as of such Closing Date, the form of which is attached as Exhibit A (and the Representatives shall have received an additional four signed copies of such counsel's legal opinion for each of the several Underwriters).

(e) *Opinion of Counsel for the Underwriters.* On each of the First Closing Date and each Option Closing Date the Representatives shall have received the opinion of Latham & Watkins LLP, counsel for the Underwriters, in form and substance satisfactory to the Underwriters, dated as of such Closing Date.

(f) *Officers' Certificate.* On each of the First Closing Date and each Option Closing Date the Representatives shall have received a written certificate executed by the Chief Executive Officer or President of the Company and the Chief Financial Officer of the Company, dated as of such Closing Date, to the effect set forth in subsections (b)(ii) and (c)(ii) of this Section 6, and further to the effect that:

- i. for the period from and including the date of this Agreement through and including such Closing Date, there has not occurred any Material Adverse Change;
- ii. the representations, warranties and covenants of the Company set forth in Section 1(A) of this Agreement are true and correct with the same force and effect as though expressly made on and as of such Closing Date; and
- iii. the Company has complied in all material respects with all the agreements hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date.

(g) *Bring-down Comfort Letter.* On each of the First Closing Date and each Option Closing Date the Representatives shall have received from McGladrey & Pullen LLP, independent public or certified public accountants for the Company, a letter dated such date, in form and substance satisfactory to the Representatives, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (a) of this Section 6, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or the applicable Option Closing Date, as the case may be (and the Representatives shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters).

(h) *Opinion of Counsel for the Selling Stockholders.* On each of the First Closing Date and each Option Closing Date the Representatives shall have received the opinion of Jones Day, counsel for Goode Chuy's Holdings, LLC and Goode Chuy's Direct Investors, LLC, dated as of such Closing Date, the form of which is attached as Exhibit A, the opinion of Proskauer Rose LLP, counsel for J.P. Morgan U.S. Direct Corporate Finance Institutional Investors III LLC and 522 Fifth Avenue Fund, L.P., dated as of such Closing Date, the form of which is attached as Exhibit B and the opinion of Graves, Dougherty, Hearon & Moody, PC, counsel for MY/ZP Equity, LP, Steve Hislop, Sharon Russell and Ted Zapp the form of which is attached as Exhibit C (and the Representatives shall have received an additional four conformed copies of such counsel's legal opinion for each of the several Underwriters).



(i) *Selling Stockholders' Certificate.* On each of the First Closing Date and each Option Closing Date the Representatives shall receive a written certificate executed by the Selling Stockholder named in Schedule A-2 and by the Attorney-in-Fact of each Selling Stockholder named in Schedule A-1 and Schedule A-3, dated as of such Closing Date, to the effect that:

- i. the representations, warranties and covenants of such Selling Stockholder set forth in Section 1(B) of this Agreement are true and correct with the same force and effect as though expressly made by such Selling Stockholder on and as of such Closing Date; and
- ii. such Selling Stockholder has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(j) *Selling Stockholders' Documents.* On the date hereof, the Company and the Selling Stockholders named in Schedule A-1 and Schedule A-3 shall have furnished for review by the Representatives copies of the Powers of Attorney and Custody Agreements executed by each of the Selling Stockholders named in Schedule A-1 and Schedule A-3 and such further information, certificates and documents as the Representatives may reasonably request of each of the Selling Stockholders.

(k) *Lock-Up Agreement from Certain Securityholders of the Company.* On or prior to the date hereof, the Company shall have furnished to the Representatives an agreement in the form of Exhibit E hereto from the persons listed on Exhibit D hereto, representing each director, officer and each beneficial owner (as defined and determined according to Rule 13d-3 under the Exchange Act, except that a 90 day period shall be used rather than the sixty day period set forth therein) of one or more percent of the outstanding issued share capital of the Company, and such agreement shall be in full force and effect on each of the First Closing Date and each Option Closing Date.

(l) *Additional Documents.* On or before each of the First Closing Date and each Option Closing Date, the Representatives and counsel for the Underwriters shall have received such information, documents and opinions as they may reasonably request for the purposes of enabling them to pass upon the issuance and sale of the Offered Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Offered Shares as contemplated herein and in connection with the other transactions contemplated by this Agreement shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

If any condition specified in this Section 6 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representatives by written notice to the Company and the Selling Stockholders at any time on or prior to the First Closing Date and, with respect to the Optional Shares, at any time on or prior to the applicable Option Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 6, Section 8 and Section 9 shall at all times be effective and shall survive such termination.

**Section 7. Reimbursement of Underwriters' Expenses.** If this Agreement is terminated by the Representatives pursuant to Section 6, Section 8, Section 11, Section 12 or Section 18, or if the sale to the Underwriters of the Offered Shares on the First Closing Date is not consummated because of any refusal, inability or failure on the part of the Company or the Selling Stockholders to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representatives and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all reasonable documented out-of-pocket expenses that shall have been actually and reasonably incurred by the Representatives and the Underwriters in connection with the proposed purchase and the offering and sale of the Offered Shares, including but not limited to reasonable fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges.

**Section 8. Effectiveness of this Agreement** This Agreement shall not become effective until the later of (i) the execution of this Agreement by the parties hereto and (ii) notification by the Commission to the Company and the Representatives of the effectiveness of the Registration Statement under the Securities Act. Prior to such effectiveness, this Agreement may be terminated by any party by notice to each of the other parties hereto, and any such termination shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters pursuant to Sections 5 and 7 hereof, (b) of any Underwriter to the Company or the Selling Stockholders, or (c) of any party hereto to any other party except that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

**Section 9. Indemnification.**

(a) *Indemnification by the Company of the Underwriters.* The Company agrees to indemnify and hold harmless each Underwriter, its directors, officers, managers, members and partners, if any, and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such director, officer, manager, member, partner, employee or controlling person may become subject, under the Securities Act, the Exchange Act, other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Offered Shares have been offered or sold or at common law or otherwise (including in settlement of any litigation, if such settlement is effected in accordance with Section 9(e)), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (A) (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus, any Road Show, that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any Permitted Section 5(d) Communication, or the Prospectus (or any amendment or supplement thereto), or the

omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Shares or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (i) or (ii) above, provided that the Company shall not be liable under this clause (iii) to the extent that a court of competent jurisdiction shall have determined by a final judgment that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct or (B) the violation of any laws or regulations of foreign jurisdictions where Offered Shares have been offered or sold; and to reimburse each Underwriter and each such director, officer, manager, member, partner, employee and controlling person for any and all documented expenses (including the fees and disbursements of counsel chosen by Jefferies and Baird) as such expenses are reasonably incurred by such Underwriter or such officer, employee or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Representatives expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any Road Show, any such free writing prospectus, any Permitted Section 5(d) Communication or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information furnished by the Representatives to the Company consists of the information described in subsection (c) below. The indemnity agreement set forth in this Section 9(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) *Indemnification by the Selling Stockholders of the Underwriters.* Each Selling Stockholder, severally and not jointly, agrees to indemnify and hold harmless each Underwriter, its directors, officers, managers, members and partners, if any, and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such director, officer, manager, member, partner, employee or controlling person may become subject, under the Securities Act, the Exchange Act, other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Offered Shares have been offered or sold or at common law or otherwise (including in settlement of any litigation, if such settlement is effected in accordance with Section 9(e)), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus, any Road Show, that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any Permitted Section 5(d) Communication, or the

Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any such preliminary prospectus, the Time of Sale Prospectus, any such free writing prospectus, any such Road Show, that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any Permitted Section 5(d) Communication or the Prospectus (or such amendment or supplement thereto), in reliance upon and in conformity with the Selling Stockholder Information expressly for use therein; and, subject to the limitations set forth above in this subsection (b), to reimburse each Underwriter and each such officer, employee and controlling person for any and all documented expenses (including the fees and disbursements of counsel chosen by Jefferies and Baird as such expenses are reasonably incurred by such Underwriter or such director, officer, manager, member, partner, employee or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liabilities that the Selling Stockholder may otherwise have.

(c) *Indemnification by the Underwriters of the Company, its Directors and Officers and the Selling Stockholders* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement, the Selling Stockholders (including each of their respective directors, officers, managers, members, partners, and employees if any) and each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer, Selling Stockholder (including each of their respective directors, officers, managers, members, partners, and employees, if any) or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus the Time of Sale Prospectus, any Road Show, any free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, any Permitted Section 5(d) Communication or the Prospectus (or such amendment or supplement thereto), or arises out of or is based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, such preliminary prospectus, the Time of Sale Prospectus, such Road Show, such free writing prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, such Permitted Section 5(d) Communication or the Prospectus (or such amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company and the Selling Stockholders by the Representatives expressly for use therein; and to reimburse the Company, or any such director, officer, Selling Stockholder or controlling person for any legal and other expense reasonably incurred by

the Company, or any such director, officer, Selling Stockholder (including each of their respective directors, officers, managers, members, partners, and employees, if any) or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. Each of the Company and the Selling Stockholders hereby acknowledges that the only information that the Representatives and the Underwriters have furnished to the Company and the Selling Stockholders expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any Road Show, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto) are the statements set forth in (i) the first sentence of the fourth paragraph under the caption "Underwriting", (ii) the third sentence of the fifth paragraph under the caption "Underwriting", (iii) the sixth paragraph under the caption "Underwriting" and (iv) the statements concerning stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M of the Exchange Act under the caption "—Underwriting—Stabilization" in the Company's preliminary prospectus dated [ ], 2013 and the prospectus dated [ ], 2013 relating to the offering of the Offered Shares. The indemnity agreement set forth in this Section 9(c) shall be in addition to any liabilities that each Underwriter may otherwise have.

(d) *Notifications and Other Indemnification Procedures.* Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section 9 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded based on the advice of outside counsel that representation of both parties would be inappropriate due to an actual conflict of interest or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of such counsel, not to be unreasonably withheld, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing the indemnified parties who are

parties to such action), which counsel (together with any local counsel) for the indemnified parties shall be selected by Jefferies and Baird (in the case of counsel for the indemnified parties referred to in Section 9(a) above), by the Selling Stockholders (in the case of counsel for the indemnified parties referred to in Section 9(b) above) or by the Company (in the case of counsel for the indemnified parties referred to in Section 9(c) above)) (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party and shall be paid as they are incurred.

(e) *Settlements.* The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 9(c) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

**Section 10. Contribution.** If the indemnification provided for in Section 9 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Offered Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Offered Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Offered Shares pursuant to this Agreement received by the Selling Stockholders, and the total

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underwriting discounts and commissions received by the Underwriters, in each case as set forth on the front cover page of the Prospectus bear to the aggregate public offering price of the Offered Shares as set forth on such cover. The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 9(c), any properly documented legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 9(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 10; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 9(c) for purposes of indemnification.

The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.

Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions received by such Underwriter in connection with the Offered Shares underwritten by it and distributed to the public. Notwithstanding the provisions of this Section 10, no Selling Stockholder shall be required to contribute any amount in excess of the product of the number of Offered Shares sold by such Selling Stockholder and the public offering price of the Offered Shares (less the related underwriting discounts and commissions) set forth on the front cover page of the Prospectus. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 10 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their respective names on Schedule B. The Selling Stockholders' obligations to contribute pursuant to this Section 10 are several, and not joint, in proportion to the proceeds of the Offered Shares sold by each such Selling Stockholder divided by the proceeds of the Offered Shares sold by all of the Selling Stockholders. For purposes of this Section 10, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company, and each officer and employee of a Selling Stockholder and each person, if any, who controls a Selling Stockholder within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Selling Stockholder.

**Section 11. Default of One or More of the Several Underwriters** If, on the First Closing Date or the applicable Option Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Offered Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Offered Shares to be purchased on such date, the Representatives may make arrangements reasonably satisfactory to the Company and the Selling Stockholders for the purchase of such Offered Shares by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the other Underwriters shall be obligated, severally and not jointly, in the proportions that the number of Firm Shares set forth opposite their respective names on Schedule B bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representatives with the consent of the non-defaulting Underwriters, to purchase the Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the applicable Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Offered Shares and the aggregate number of Offered Shares with respect to which such default occurs exceeds 10% of the aggregate number of Offered Shares to be purchased on such date, and arrangements satisfactory to the Representatives, the Company and the Selling Stockholders for the purchase of such Offered Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party except that the provisions of Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination. In any such case either the Representatives or the Company shall have the right to postpone the First Closing Date or the applicable Option Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term “**Underwriter**” shall be deemed to include any person substituted for a defaulting Underwriter under this Section 11. Any action taken under this Section 11 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

**Section 12. Termination of this Agreement** Prior to the purchase of the Firm Shares by the Underwriters on the First Closing Date this Agreement may be terminated by the Representatives by notice given to the Company and the Selling Stockholders if at any time (i) trading or quotation in any of the Company’s securities shall have been suspended or limited by the Commission or by the Nasdaq Global Market, or trading in securities generally on either the Nasdaq Global Market or the New York Stock Exchange shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission or the FINRA; (ii) a general banking moratorium shall have been declared by any of federal, New York or Delaware authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States’ or international political, financial or economic conditions, as in the judgment of the Representatives is material and adverse and makes it impracticable to market the Offered Shares in the manner and on the terms described in the Time of Sale Prospectus or the Prospectus or to enforce contracts for the sale of securities; (iv) in the judgment of the Representatives there shall have occurred any Material Adverse Change; or (v) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Representatives may interfere materially with the conduct of the business and operations of the Company regardless of whether or not such loss shall



have been insured. Any termination pursuant to this Section 12 shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company shall be obligated to reimburse the expenses of the Representatives and the Underwriters pursuant to Sections 4 and 7 hereof, (b) any Underwriter to the Company or the Selling Stockholders, or (c) of any party hereto to any other party except that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

**Section 13. No Advisory or Fiduciary Relationship.** The Company acknowledges and agrees that (a) the purchase and sale of the Offered Shares pursuant to this Agreement, including the determination of the public offering price of the Offered Shares and any related discounts and commissions, is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction each Underwriter is and has been acting solely as a principal and is not the agent or fiduciary of the Company, or its stockholders, creditors, employees or any other party, (c) no Underwriter has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) and no Underwriter has any obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Underwriters and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company, and (e) the Underwriters have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

**Section 14. Representations and Indemnities to Survive Delivery.** The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers, of the Selling Stockholders and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, or the Selling Stockholders, as the case may be, and, anything herein to the contrary notwithstanding, will survive delivery of and payment for the Offered Shares sold hereunder and any termination of this Agreement.

**Section 15. Notices.** All communications hereunder shall be in writing and shall be mailed, hand delivered or telecopied and confirmed to the parties hereto as follows:

If to the Representatives:

Jefferies & Company, Inc.  
520 Madison Avenue  
New York, New York 10022  
Facsimile: (212) 284-2280  
Attention: General Counsel

Robert W. Baird & Co. Incorporated  
777 East Wisconsin Avenue, Suite 2800  
Milwaukee, Wisconsin 53202  
Facsimile: (414) 298-7800  
Attention: General Counsel

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If to the Company:

Chuy's Holdings, Inc.  
1623 Toomey Road  
Austin, Texas  
Facsimile: (512) 472-8684  
Attention: President and Chief Executive Officer

If to the Selling Stockholders:

American Stock Transfer & Trust Company  
6201 15<sup>th</sup> Avenue  
Brooklyn, NY 11219  
Facsimile: (718) 765-8726  
Attention: Susan Silber – Assistant Secretary

Any party hereto may change the address for receipt of communications by giving written notice to the others.

**Section 16. Successors.** This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 11 hereof, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 9 and Section 10, and in each case their respective successors, and personal representatives, and no other person will have any right or obligation hereunder. The term “**successors**” shall not include any purchaser of the Offered Shares as such from any of the Underwriters merely by reason of such purchase.

**Section 17. Partial Unenforceability.** The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

**Section 18. Governing Law Provisions.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby (“**Related Proceedings**”) may be instituted in the federal courts of the United States of America located in the Borough of Manhattan in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the “**Specified Courts**”), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a “**Related Judgment**”), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party’s address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

With respect to any Related Proceeding, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment, including, without limitation, any immunity pursuant to the United States Foreign Sovereign Immunities Act of 1976, as amended.

**Section 19. Failure of One or More of the Selling Stockholders to Sell and Deliver Offered Shares** If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Offered Shares to be sold and delivered by such Selling Stockholder at the First Closing Date pursuant to this Agreement, then the Underwriters may at their option, by written notice from the Representatives to the Company and the Selling Stockholders, either (i) terminate this Agreement without any liability on the part of any Underwriter or, except as provided in Sections 4, 7, 9 and 10 hereof, the Company or the other Selling Stockholders, or (ii) purchase the shares which the Company and other Selling Stockholders have agreed to sell and deliver in accordance with the terms hereof. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Offered Shares to be sold and delivered by such Selling Stockholder pursuant to this Agreement at the First Closing Date or the applicable Option Closing Date, then the Underwriters shall have the right, by written notice from the Representatives to the Company and the Selling Stockholders, to postpone the First Closing Date or the applicable Option Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

**Section 20. General Provisions.** This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Table of Contents and the Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 9 and the contribution provisions of Section 10, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Sections 9 and 10 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, each free writing prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

**CHUY'S HOLDINGS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**SELLING STOCKHOLDERS**

As Attorney-in-Fact acting on behalf of each  
Selling Stockholder named in Schedule A-1 and Schedule A-3 to this  
Agreement.

By: \_\_\_\_\_  
Name:  
Title: Attorney-in-Fact

**GOODE CHUY'S HOLDINGS, LLC**

By: \_\_\_\_\_  
Name:  
Title:

**GOODE CHUY'S DIRECT INVESTORS, LLC**

By: \_\_\_\_\_  
Name:  
Title:

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The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representatives in New York, New York as of the date first above written.

**JEFFERIES & COMPANY, INC. ROBERT W. BAIRD & CO.  
INCORPORATED**

Acting as Representatives of the  
several Underwriters named in  
the attached Schedule B.

**JEFFERIES & COMPANY, INC.**

By: \_\_\_\_\_

Name:  
Title:

**ROBERT W. BAIRD & CO. INCORPORATED**

By: \_\_\_\_\_

Name:  
Title:

SCHEDULE A-1

Selling Stockholder	Number of Firm Shares to be Sold	Maximum Number of Optional Shares to be Sold
J.P. Morgan Funds 522 Fifth Avenue New York, New York 10036 Attention: [ ]	[ ]	[ ]
MY/ZP Equity, LP 1623 Toomey Road Austin, Texas 78704 Attention: [ ]	[ ]	[ ]
Total:	<u>[ ]</u>	<u>[ ]</u>

**SCHEDULE A-2**

	<b>Number of Firm Shares to be Sold</b>	<b>Maximum Number of Optional Shares to be Sold</b>
<b>Selling Stockholder</b> Goode Chuy's Holdings, LLC Goode Chuy's Direct Investors, LLC 767 Third Avenue, 22 <sup>nd</sup> Floor New York, New York 10017 Attention: [       ]	[       ]	[       ]
<b>Total:</b>	<u>[       ]</u>	<u>[       ]</u>

SCHEDULE A-3

Selling Stockholder	Number of Firm Shares to be Sold	Maximum Number of Optional Shares to be Sold
Steve Hislop	[ ]	[ ]
Sharon Russell	[ ]	[ ]
Ted Zapp	[ ]	[ ]
Total:	<u>[ ]</u>	<u>[ ]</u>



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**SCHEDULE B**

<b>Underwriters</b>	<b>Number of Firm Shares to be Purchased</b>
Jefferies & Company, Inc.	[       ]
Robert W. Baird & Co. Incorporated	[       ]
KeyBanc Capital Markets Inc.	[       ]
Raymond James & Associates, Inc.	[       ]
Stephens Inc.	[       ]
Total	[       ]

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**SCHEDULE C**

Schedule of Free Writing Prospectuses included in the Time of Sale Prospectus

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**SCHEDULE D**

Schedule of Permitted Section 5(d) Communications

January 22, 2013

Chuy's Holdings, Inc.  
1623 Toomey Rd.  
Austin, Texas 78704

Re: Registration Statement on Form S-1  
Relating to the Public Offering of up to  
5,175,000 shares of Common Stock of Chuy's Holdings, Inc.

Ladies and Gentlemen:

We are acting as counsel for Chuy's Holdings, Inc., a Delaware corporation (the "Company"), in connection with the sale by certain stockholders of the Company (the "Selling Stockholders") of up to (i) 4,896,841 shares (the "Shares") of the Company's common stock, par value \$0.01 per share (the "Common Stock"), and (ii) 278,159 shares (the "Option Shares") of Common Stock issuable upon the exercise of options to purchase shares of Common Stock (the "Options") granted under the Chuy's Holdings, Inc. Amended and Restated 2006 Stock Option Plan (the "Plan"), in each case pursuant to the Underwriting Agreement (the "Underwriting Agreement") proposed to be entered into by and among the Company, the Selling Stockholders and Jefferies & Company, Inc. and Robert W. Baird & Co. Incorporated, acting as the representatives of the several underwriters to be named in Schedule B thereto.

In connection with the opinions expressed herein, we have examined such documents, records and matters of law as we have deemed relevant or necessary for purposes of such opinions. Based upon the foregoing and subject to the further assumptions, qualifications and limitations set forth herein, we are of the opinion that:

1. The Shares are validly issued, fully paid and nonassessable.
2. The Option Shares, when issued by the Company upon exercise of the Options and full payment of the applicable exercise prices, in each case pursuant to the terms and conditions of the Plan and the applicable stock option agreements thereunder, will be validly issued, fully paid and nonassessable.

The opinion expressed herein is limited to the General Corporation Law of the State of Delaware, and we express no opinion as to the effect of the laws of any other jurisdiction.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement on Form S-1 (the "Registration Statement") filed by the Company to effect registration of the Shares and the Option Shares under the Securities Act of 1933 (the "Act") and to the reference to us under the caption "Legal Matters" in the prospectus constituting a part of such Registration Statement. In giving such consent, we do not hereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

/s/ Jones Day

**Consent of Independent Registered Public Accounting Firm**

We consent to the use in this Amendment No. 1 of the Registration Statement on Form S-1 (No. 333-186008) of Chuy's Holdings, Inc. of our report dated May 16, 2012, except for Note 16, as to which the date is July 11, 2012, relating to our audits of the consolidated financial statements, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to our firm under the captions "Experts" and in such Prospectus.

/s/ McGladrey LLP

Dallas, Texas  
January 21, 2013

The information contained in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Exhibit 99.2  
SUBJECT TO COMPLETION, DATED JANUARY 22, 2013

PRELIMINARY PROSPECTUS

**4,500,000 Shares**

[LOGO]

## Chuy's Holdings, Inc. Common Stock

The selling stockholders identified in this prospectus are offering 4,500,000 shares of our common stock. We will not receive any of the proceeds from the sale of shares by the selling stockholders. Our common stock is listed on the Nasdaq Global Select Market under the symbol "CHUY." The last sale price of our common stock on January 18, 2013, as reported by the Nasdaq Global Select Market, was \$24.36 per share.

Investing in our common stock involves a high degree of risk. Please read "[Risk Factors](#)" beginning on page 15 of this prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

We are an "emerging growth company" under the federal securities laws and are subject to reduced public company reporting requirements.

	PER SHARE	TOTAL
Public Offering Price	\$	\$
Underwriting Discounts and Commissions		
Proceeds to Selling Stockholders, before expenses		

Delivery of the shares of common stock is expected to be made on or about \_\_\_\_\_, 2013. The selling stockholders have granted the underwriters an option for a period of 30 days to purchase an additional 675,000 shares of our common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by the selling stockholders will be \$ \_\_\_\_\_ and the total proceeds to the selling stockholders, before expenses, will be \$ \_\_\_\_\_.

**Jefferies**

**Baird**

**KeyBanc Capital Markets**

**Raymond James**

**Stephens Inc.**

Prospectus dated \_\_\_\_\_, 2013