

Texas Roadhouse, Inc.  
Form DEF 14A  
April 06, 2012

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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**Texas Roadhouse, Inc.**

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(Name of Registrant as Specified In Its Charter)

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April 6, 2012

To our Stockholders:

You are cordially invited to attend the 2012 Annual Meeting of Stockholders of Texas Roadhouse, Inc. on Thursday, May 17, 2012. The meeting will be held at the Texas Roadhouse Support Center, 6040 Dutchmans Lane, Louisville, Kentucky at 9:00 a.m. eastern daylight time.

The official Notice of Annual Meeting, Proxy Statement and Proxy Card are enclosed with this letter.

Please take the time to read carefully each of the proposals for stockholder action described in the accompanying proxy materials. Whether or not you plan to attend, you can ensure that your shares are represented at the meeting by promptly completing, signing and dating your proxy card and returning it in the enclosed postage-paid envelope. Stockholders of record can also vote by touch-tone telephone from the United States, using the toll-free number on the proxy card, or by the Internet, using the instructions on the proxy card. If you attend the meeting, you may revoke your proxy and vote your shares in person.

Your interest and participation in the affairs of the Company are greatly appreciated. Thank you for your continued support.

Sincerely,

W. Kent Taylor  
*Chairman, Chief Executive Officer*

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## **TEXAS ROADHOUSE, INC.**

**6040 Dutchmans Lane, Suite 200  
Louisville, Kentucky 40205**

### **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 17, 2012**

To the Stockholders:

The Annual Meeting of Stockholders (the "Annual Meeting") of Texas Roadhouse, Inc. (the "Company") will be held at the Texas Roadhouse Support Center, 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 17, 2012 at 9:00 a.m. eastern daylight time.

At the Annual Meeting you will be asked to:

elect two Class II directors to the Board of Directors, each for a term of three years;

ratify the appointment of KPMG LLP as the Company's independent auditors;

hold an advisory vote on executive compensation; and

transact such other business as may properly come before the meeting.

A Proxy Statement describing matters to be considered at the Annual Meeting is attached to this notice. Only stockholders of record at the close of business on March 16, 2012 are entitled to receive notice of and to vote at the meeting.

By Order of the Board of Directors,

Celia Catlett  
*Corporate Secretary*

Louisville, Kentucky  
April 6, 2012

#### **IMPORTANT**

**WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE SUBMIT YOUR VOTE USING ONE OF THE VOTING METHODS DESCRIBED IN THE ATTACHED MATERIALS. IF YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.**

#### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2012 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 17, 2012**

Our Proxy Statement related to our 2012 Annual Meeting of Stockholders, our Annual Report on Form 10-K for the fiscal year ended on December 27, 2011 and our Annual Report to Stockholders for the fiscal year ended on December 27, 2011 are available on our website at [www.texasroadhouse.com](http://www.texasroadhouse.com) in the Investors section.

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**TEXAS ROADHOUSE, INC.**

6040 Dutchmans Lane  
Louisville, Kentucky 40205

**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD MAY 17, 2012**

**Introduction**

This proxy statement and accompanying proxy card are being furnished in connection with the solicitation of proxies by the board of directors (the "Board") of Texas Roadhouse, Inc., a Delaware corporation, to be voted at the Annual Meeting of Stockholders (the "Annual Meeting") and any adjournments thereof. In this proxy statement, references to the "Company," "we," "us" or "our" refer to Texas Roadhouse, Inc. This proxy statement and accompanying proxy card are first being mailed to stockholders on or about April 6, 2012.

**Date, Time and Place**

The Annual Meeting will be held at the Texas Roadhouse Support Center, Louisville, Kentucky on Thursday, May 17, 2012 at 9:00 a.m. eastern daylight time, for the purposes set forth in this proxy statement and the accompanying notice of Annual Meeting.

**Record Date and Voting Securities**

The Board has fixed the record date (the "Record Date") for the Annual Meeting as the close of business on March 16, 2012. Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting and at any adjournment or postponement thereof. At the close of business on the Record Date, there were outstanding 69,738,211 shares of common stock, each of which is entitled to one vote per share on all matters to be considered at the Annual Meeting.

The presence in person or by proxy of the holders of a majority of the shares of common stock will constitute a quorum for the transaction of business at the Annual Meeting. Shares of common stock represented by properly executed proxies received before the close of voting at the Annual Meeting will be voted as directed by such stockholders, unless revoked as described below.

**Revocability of Proxies**

A stockholder who completes and returns the proxy card that accompanies this proxy statement may revoke that proxy at any time before the closing of the polls at the Annual Meeting. A stockholder may revoke a proxy by voting at a later date by one of the methods described on the proxy card or by filing a written notice of revocation with, or by delivering a duly executed proxy bearing a later date to, the Corporate Secretary of the Company at the Company's main office address at any time before the Annual Meeting. Stockholders may also revoke proxies by delivering a duly executed proxy bearing a later date to the inspector of election at the Annual Meeting before the close of voting or by attending the Annual Meeting and voting in person. You may attend the Annual Meeting even though you have executed a proxy, but your presence at the Annual Meeting will not automatically revoke your proxy.

**Solicitation of Proxies**

The cost of solicitation of proxies being solicited on behalf of the Board will be borne by us. In addition to solicitation by mail, proxies may be solicited personally, by telephone or other means by our directors, officers or employees, who receive no additional compensation for these solicitation activities.



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We will, upon request, reimburse brokerage houses and persons holding common stock in the names of their nominees for their reasonable out-of-pocket expenses in sending materials to their principals.

#### **Votes Required and Voting of Proxies**

Each proposal will be considered separately.

##### *Proposal 1 Election of Directors*

The affirmative vote of a plurality of the votes entitled to be cast by the holders of the Company's common stock present in person or represented by proxy is required to elect each nominee. Election by a plurality means that the director nominee with the most votes for a particular slot is elected for that slot. You may vote "FOR" all of the nominees or you may "WITHHOLD AUTHORITY" to vote for one or more specifically named nominees. Unless you "WITHHOLD AUTHORITY" to vote for one or more nominees, your proxy will be voted "FOR" the election of the individuals nominated as Class II directors.

Our Board has adopted a majority voting policy for uncontested director elections. Under this policy, any nominee who receives fewer "FOR" votes than "WITHHOLD" votes is required to offer his or her resignation. Our nominating and corporate governance committee would then consider the offer of resignation and make a recommendation to our independent directors as to the action to be taken with respect to the offer.

The Board recommends that you vote "FOR" all of the nominees.

##### *Proposal 2 Ratification of the Appointment of the Company's Independent Auditors*

The proposal to ratify the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 28, 2012 must be approved by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote "FOR" or "AGAINST" the ratification, or you may "ABSTAIN" from voting on this proposal. A vote to "ABSTAIN" will have the same effect as a vote "AGAINST" this proposal.

The Board recommends that you vote "FOR" this proposal.

##### *Proposal 3 Advisory Vote on Approval of Executive Compensation*

The outcome of the advisory vote on whether to approve the executive compensation detailed in this proxy statement (including the Compensation Discussion and Analysis, the Executive Compensation section and the other related executive compensation tables and related discussions) will be determined by the affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote. You may vote "FOR" or "AGAINST" approval of the executive compensation, or you may "ABSTAIN" from voting on this proposal. A vote to "ABSTAIN" will have the same effect as a vote "AGAINST" approval of the executive compensation.

The Board recommends that you vote "FOR" this proposal.

##### *Other Matters*

As of the date of this proxy statement, the Board knows of no matters that will be presented for consideration at the Annual Meeting other than those matters discussed in this proxy statement. If any other matters should properly come before the Annual Meeting and call for a vote of stockholders, validly executed proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board, or, in the absence of such a recommendation, in accordance with the



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judgment of the proxy holders. Any such additional matter must be approved by an affirmative vote of a majority of the shares present (in person or by proxy) and entitled to vote at the Annual Meeting.

**Other Voting Considerations**

*Broker Non-Votes*

Under rules of the New York Stock Exchange, matters subject to stockholder vote are classified as "routine" or "non-routine." In the case of routine matters, brokers may vote shares held in "street name" in their discretion if they have not received voting instructions from the beneficial owner. In the case of non-routine matters, brokers may not vote shares unless they have received voting instructions from the beneficial owner ("broker non-votes"); therefore, it is important that you complete and return your proxy early so that your vote may be recorded.

The election of directors (Proposal 1) is a non-routine matter under the applicable rules, so broker non-votes may occur. However, broker non-votes do not count as shares entitled to vote. Because the election is decided by a plurality of shares present (in person or by proxy) and entitled to vote at the Annual Meeting, and because our majority voting policy for directors only considers "FOR" votes and "WITHHOLD" votes, any broker non-votes will not affect the outcome of this proposal.

The ratification of the appointment of the Company's independent auditors (Proposal 2) is a routine matter under the applicable rules, so broker non-votes should not occur. In addition, because this matter is routine and brokers may vote as stated above, the number of votes cast, plus the number of abstentions, on this Proposal 2 will be used to establish whether a quorum is present.

The advisory vote on the approval of executive compensation (Proposal 3), and any other matters that may properly come before the Annual Meeting, are also non-routine matters under the applicable rules, so broker non-votes may occur. Because broker non-votes do not count as shares entitled to vote, they do not affect the outcome of the vote on these proposals.

*Abstentions*

Abstentions will be counted for purposes of calculating whether a quorum is present. The effect of an abstention on each proposal where "ABSTAIN" is a voting choice is discussed above.

*Executed but Unmarked Proxies*

If no instructions are given, shares represented by properly executed but unmarked proxies will be voted in accordance with the recommendation of the Board, or, in the absence of such a recommendation, in accordance with the judgment of the proxy holders.

**PROPOSAL 1  
ELECTION OF DIRECTORS**

The Company's by-laws provide for not less than one and not more than 15 directors. Our Board currently consists of six directors divided into three classes. Members of each class serve for a three-year term. The Board has designated Martin T. Hart and W. Kent Taylor as nominees for re-election as Class II directors of the Company to serve for terms of three years and until their successors are duly elected and qualified. Although it is not anticipated that any of the nominees listed below will decline or be unable to serve, if that should occur, the proxy holders may, in their discretion, vote for substitute nominees.

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**Nominees for Election as Directors**

Set forth below are the two Board members who will stand for re-election at the Annual Meeting, together with their ages, all Company positions and offices each person currently holds and the year in which each person joined the Board.

| <b>Name</b>    | <b>Age</b> | <b>Position or Office</b>                   | <b>Director Since</b> |
|----------------|------------|---|-----------------------|
| Martin T. Hart | 76         | Director                                    | 2004                  |
| W. Kent Taylor | 56         | Chairman, Director, Chief Executive Officer | 2004                  |

*Martin T. Hart.* Mr. Hart, 76, has been a private investor in the Denver, Colorado area since 1969. He has owned and developed a number of companies into successful businesses, and has served on the board of directors for many public and private corporations. Presently, Mr. Hart is serving on the board of directors of the following public companies: ValueClick, Inc., a single-source provider of media, technology and services across major interactive marketing channels; MassMutual Corporate Investors, an investment company; and MassMutual Participation Investors, an investment company. Until June 2009, he served on the board of directors of Spectranetics Corporation, a medical device company. He also continues to serve on the board of directors of several private companies. Mr. Hart is a certified public accountant. He is the past Chairman of the Board of Trustees of Regis University. Mr. Hart is being nominated as a director because of his experience on public company boards, his financial and accounting experience and his knowledge of the Company resulting from being a long-term investor. As a result of these and other professional experiences, Mr. Hart possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

*W. Kent Taylor.* Mr. Taylor, 56, is our founder and Chief Executive Officer, a position he resumed in August 2011. Mr. Taylor previously served as Chief Executive Officer from 2000 until 2004, at which time Mr. Taylor became Chairman of the Company, an executive position. Before his founding of our concept in 1993, Mr. Taylor founded and co-owned Buckhead Bar and Grill in Louisville, Kentucky. Mr. Taylor was appointed to the Board of Directors and the Compensation Committee of Papa John's International, Inc., in May 2011. Mr. Taylor is being nominated as a director because of his chief executive experience, his knowledge of the restaurant industry and his intimate knowledge of the Company as its founder. As a result of these and other professional experiences, Mr. Taylor possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

**Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE TWO NOMINEES FOR CLASS II DIRECTORS OF THE COMPANY.**

**Other Directors**

The following Class I and III directors will continue on the Board for the terms indicated:

*Class I Directors (Terms Expiring at the 2014 Annual Meeting):*

*James R. Ramsey.* Dr. Ramsey, 63, is the president of the University of Louisville, a position he has held since September 2002. Before becoming president, he had served as senior policy advisor and state budget director for the Commonwealth of Kentucky as well as senior professor of economics and public policy at the University of Louisville since 1999. Dr. Ramsey has held numerous academic

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positions, including serving as vice chancellor for finance and administration at both the University of North Carolina at Chapel Hill and Western Kentucky University. He has been associate dean, assistant dean and director of public administration in the College of Business Administration at Loyola University and a research associate for the University of Kentucky's Center for Public Affairs. He has served on the faculties of the University of North Carolina at Chapel Hill, Western Kentucky University, the University of Kentucky, Loyola University and Middle Tennessee State University in addition to the University of Louisville. Dr. Ramsey has also held a number of positions in state government, including interim commissioner of the Office of the New Economy and special advisor to the chairman of the Kentucky Council on Postsecondary Education. Dr. Ramsey serves on the board of directors and chairs the audit committee of Community Trust Bancorp, Inc. He also serves on the boards of trustees of Churchill Tax-Free Fund of Kentucky and Naragansett Insured Tax-Free Income Fund. Dr. Ramsey was nominated as a director because of his chief executive experience, his financial and accounting experience and his government relations experience. As a result of these and other professional experiences, Dr. Ramsey possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

*James R. Zarley.* Mr. Zarley, 67, currently serves as chief executive officer of ValueClick, Inc., has been a member of the board of directors of ValueClick since 1999, and served as chairman of the board until May 2007. Mr. Zarley shaped the company into a global leader in online marketing solutions. In May 2007, Mr. Zarley stepped down from the chief executive officer role and became executive chairman to focus on the company's corporate development program and European operations. In April 2010, Mr. Zarley returned to the chief executive officer role. Prior to joining ValueClick, Mr. Zarley was chief operating officer of Hiway Technologies, where he was a leading member of the management team that closed the merger with Verio in 1999. Prior to that, Mr. Zarley was chairman and chief executive officer of Best Internet until it merged with Hiway Technologies in 1998. Mr. Zarley also founded and later sold Quantech Information Services, now an ADP company. In addition, he spent 19 years at RCA in various senior management roles. Mr. Zarley was nominated as a director because of his chief executive experience in a developing industry, his information technology experience and his experience in acquisitions. As a result of these and other professional experiences, Mr. Zarley possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

*Class III Directors (Terms Expiring at the 2013 Annual Meeting):*

*Gregory N. Moore.* Mr. Moore, 62, served as the Senior Vice President and Controller of Yum! Brands, Inc. until he retired in 2005. He is currently a Financial Consultant and private investor. Yum! Brands is the worldwide parent company of Taco Bell, KFC and Pizza Hut. Prior to becoming Yum! Brands' Controller, Mr. Moore was the Vice President and General Auditor of Yum! Brands. Before that, he was with PepsiCo, Inc. and held the position of Vice President, Controller of Taco Bell and Controller of PepsiCo Wines & Spirits International, a division of PepsiCola International. Before joining PepsiCo, he was an Audit Manager with Arthur Young & Company in its New York City and Stamford, Connecticut offices. Mr. Moore is a certified public accountant in the States of New York and California. In July 2011, Mr. Moore joined the board of Newegg, Inc., a privately held on-line retailer specializing in computer and computer-related equipment, and serves as the chair of the compensation committee and a member of both the audit committee and the nominating committee. Mr. Moore also serves on the board and chairs the audit committee of 3 Day Blinds, a private company. Mr. Moore was nominated as a director because of his extensive financial and accounting experience in the restaurant industry. As a result of these and other professional experiences, Mr. Moore possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

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*James F. Parker.* Mr. Parker, 65, retired as Chief Executive Officer and Vice-Chairman of the Board of Southwest Airlines Co., a position he held from June 2001 through July 2004. Before serving at Southwest Airlines as Chief Executive Officer, Mr. Parker served as General Counsel of that company from 1986 until June 2001, and was previously a stockholder in the San Antonio, Texas law firm of Oppenheimer, Rosenberg, Kelleher and Wheatley. Mr. Parker serves as a member of the board of directors of Sammons Enterprises, Inc., a private company. Mr. Parker was nominated as a director because of his chief executive experience, his knowledge of the value-based service industry and the similarity of cultures between Southwest Airlines and the Company. As a result of these and other professional experiences, Mr. Parker possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

**Meetings of the Board of Directors**

The Board met on seven occasions and its committees met on 27 occasions during our fiscal year ended December 27, 2011. Each incumbent director attended at least 75% of the aggregate number of meetings of the Board and its committees on which such director served during his period of service. In addition, the Company expects all members of the Board to attend the Annual Meeting. All members attended the 2011 Annual Meeting. Four regular Board meetings are currently scheduled for the fiscal year 2012. Executive sessions of non-employee directors, without management directors or employees present, are typically scheduled in conjunction with each regularly scheduled Board meeting.

**Leadership Structure of the Board of Directors and Role of the Board of Directors in Risk Oversight**

The Board currently includes five independent directors and one employee director, and the positions of Chairman and Chief Executive Officer are occupied by the same individual. As noted above, Mr. Taylor was named Chairman of the Board in recognition of his founding and continuing leadership role in the Company, and has held that position since 2004. Mr. Taylor also resumed the position of Chief Executive Officer in August 2011. Mr. Taylor previously served as Chief Executive Officer from 2000 until 2004. We believe that the Company and its stockholders are best served by having Mr. Taylor serve in both positions because he is the person most familiar with our unique business model and the challenges we face in the current macro-economic environment. Mr. Taylor's wealth of knowledge regarding Company operations and the industry in which we compete positions him to best identify matters for Board review and deliberation. Additionally, the combined role of Chairman and Chief Executive Officer unifies the Board with management and eliminates conflict between two leaders. We believe that the Company can more effectively execute its current strategy and business plans to maximize stockholder value if our Chairman is also a member of the management team.

There is no lead independent director for our Board, but we believe that our current Board leadership structure is appropriate, as the majority of our Board is composed of independent directors. The Board considers all of its members equally responsible and accountable for oversight and guidance of its activities.

The Board is responsible for overseeing the Company's risk management strategies. This role includes ensuring that Company management has implemented appropriate processes to administer day-to-day risk management. The Board is informed about risk management matters as part of its role in the general oversight and approval of corporate matters. The Board participates with management in an annual strategic planning session, during which, in part, it reviews the risks associated with potential strategic initiatives of the Company. The Board gives clear guidance to the Company's management on the risks it believes face the Company, such as the matters disclosed as risk factors in the Company's Annual Report on Form 10-K. Furthermore, the Board has delegated certain risk management responsibilities to its committees.

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Through the audit committee's charter, the Board has authorized it to oversee the Company's risk assessment and risk management policies. The audit committee, in fulfilling its oversight responsibilities, regularly and comprehensively reviews specific risk categories which have been identified by management. The Company's internal auditor reports directly to the audit committee on the results of internal audits, the scope and frequency of which are based on comprehensive risk assessments which have been approved by the audit committee. Additionally, the Company's risk manager annually reports to the audit committee the results of risk mapping exercises conducted by key Company employees, which prioritize categories of risks according to likelihood of occurrence and potential liability. The audit committee is routinely advised of operational, financial and legal risks both during and outside of regularly scheduled meetings, and the committee reviews and monitors specific activities to manage these risks, such as insurance plans, hedging strategies and internal controls.

Through the compensation committee's charter, the Board has authorized it to oversee officer and director compensation programs. The compensation committee, in fulfilling its oversight responsibilities, designs the compensation packages applicable to the executive officers and Board members. The compensation committee also consults with management on the payments of bonuses and grants of stock awards to key employees on a quarterly basis.

The Board's oversight roles, including the roles of the audit committee and the compensation committee, combined with the leadership structure of the Board to include Company management, allows the Board to effectively administer risk management policies while also effectively and efficiently addressing Company objectives.

**Committees of the Board of Directors**

The Board has three standing committees: the audit committee, the compensation committee and the nominating and corporate governance committee. The Board has adopted a written charter for each of these committees, which sets out the functions and responsibilities of each committee. The charters of these committees are available in their entirety on the Company's website, [www.texasroadhouse.com](http://www.texasroadhouse.com). Please note, however, that the information contained on the website is not incorporated by reference in, or considered to be a part of, this proxy statement.

*Audit Committee.* As described in its charter, the audit committee assists our Board in fulfilling its oversight responsibility relating to: (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independence and performance of the Company's internal and external auditors and (iv) the Company's internal controls and financial reporting practices. The audit committee is also required to pre-approve all audit and permitted non-audit services provided by our independent auditors. The audit committee reviews all of the Company's earnings press releases and Quarterly and Annual Reports on Form 10-Q and Form 10-K prior to filing with the Securities and Exchange Commission ("SEC"). The audit committee is also responsible for producing an annual report on its activities for inclusion in this proxy statement. All of the members of the audit committee are "independent," as that term is defined in the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and meet the criteria for independence under the Sarbanes-Oxley Act of 2002 and the rules adopted by the SEC. The audit committee is currently comprised of Messrs. Moore, Parker and Ramsey and is chaired by Mr. Moore. The Board evaluated the credentials of and designated Mr. Moore as an "audit committee financial expert" as required by Section 407 of the Sarbanes-Oxley Act of 2002. The audit committee met 15 times during the fiscal year 2011.

*Compensation Committee.* As described in its charter, the compensation committee: (i) assists the Board in fulfilling its responsibilities relating to the design, administration and oversight of employee compensation programs and benefit plans of the Company's executive officers, (ii) discharges the Board's duties relating to the compensation of the Company's directors and (iii) reviews the

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performance of the Company's executive officers. The compensation committee is also responsible for reviewing and discussing with management the Compensation Discussion and Analysis in this proxy statement and recommending its inclusion in this proxy statement to the Board. All of the members of the compensation committee are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The members of the compensation committee are Messrs. Hart, Moore, Parker, Ramsey and Zarley. Mr. Parker chairs the committee. The compensation committee met three times during the fiscal year 2011.

*Nominating and Corporate Governance Committee.* As described in its charter, the nominating and corporate governance committee assists our Board in: (i) identifying individuals qualified to become Board members and recommending nominees to the Board either to be presented at the annual meeting or to fill any vacancies, (ii) considering and reporting periodically to the Board on matters relating to the identification, selection and qualification of director candidates and (iii) developing and recommending to the Board a set of corporate governance principles. The nominating and corporate governance committee has no diversity policy; however, the committee considers the diversity of skills and professional experience of the persons it identifies as qualified to be Board members. The nominating committee routinely evaluates the size and composition of the Board and the variety of professional expertise represented by the Board members in relation to the Company's business. All of the members of the nominating and corporate governance committee are "independent" under all applicable rules, including the listing standards under NASDAQ Marketplace Rule 5605(a)(2) and the requirements of the SEC. The members of the nominating and corporate governance committee are Messrs. Hart, Moore, Parker and Zarley. Mr. Moore chairs the committee. The nominating and corporate governance committee met three times during the fiscal year 2011.

**Policy Regarding Consideration of Candidates for Director**

The nominating and corporate governance committee will consider timely stockholder recommendations for director nominees at the 2013 Annual Meeting if stockholders comply with the requirements of the Company's by-laws. A copy of the by-laws is available on the Company's website, [www.texasroadhouse.com](http://www.texasroadhouse.com). To be considered timely and to be included in our proxy statement and related proxy for the 2013 Annual Meeting, stockholders should submit nominations, if any, no later than December 7, 2012, to the Company's Corporate Secretary, at 6040 Dutchmans Lane, Louisville, Kentucky 40205. Stockholder nominations should include, among other items, the name of the candidate, age, contact information, present principal occupation or employment, qualifications and skills, background, last five year's employment and business experience, a description of current or previous service as director of any corporation or organization, other relevant biographical information and the nominee's consent to service on the Board. A stockholder nominee will be requested to complete a detailed questionnaire in the form that current directors and officers complete.

The nominating and corporate governance committee may consider such other factors as it may deem are in the best interest of the Company and its stockholders. The manner in which the nominating and corporate governance committee evaluates a potential nominee will not differ based on whether the nominee is recommended by a stockholder of the Company.

The Company does not pay a third-party fee to assist in identifying and evaluating nominees, but the Company does not preclude the potential for using such services if needed as may be determined at the discretion of the nominating and corporate governance committee.

**Compensation of Directors**

As described more fully below, the following table summarizes the total compensation paid or accrued for fiscal year 2011 for each of the non-employee directors.

Table of Contents**Director Compensation Table**

| Name<br>(a)      | Fees Earned<br>or Paid in Cash | Grant Date Fair<br>Value of Stock<br>Awards | Total       |
|------------------|--------------------------------|---|-------------|
|                  | (\$)<br>(b)                    | (\$)(1)<br>(c)                              | (\$)<br>(d) |
| Martin T. Hart   | 29,500                         |   | 29,500      |
| Gregory N. Moore | 80,000                         |   | 80,000      |
| James F. Parker  | 36,500                         |   | 36,500      |
| James R. Ramsey  | 33,000                         |   | 33,000      |
| James R. Zarley  | 29,000                         |   | 29,000      |

(1) No stock grants or option awards were made during the period of time covered by this table.

Non-employee directors each receive an annual fee of \$12,500. The chairperson of the audit committee receives an additional annual fee of \$20,000. Each non-employee director receives \$2,000 for each Board meeting he or she attends in person and \$500 for each Board meeting he or she participates in telephonically. Additionally, each non-employee director receives \$1,000 for each committee meeting he or she attends in person and \$500 for each committee meeting he or she participates in telephonically. Occasionally, board members serve on temporary committees for which they also receive meeting fees and annual fees.

In February 2010, the non-employee directors were each granted 15,000 restricted stock units, where each unit represents the conditional right to receive one share of our common stock upon satisfaction of the vesting requirements. The restricted stock units vested in 50% increments each year over two years. In January 2012, the non-employee directors were each granted 25,500 restricted stock units, where each unit represents the conditional right to receive one share of our common stock upon satisfaction of the vesting requirements. Those restricted stock units vest in one-third increments each year over three years.

Upon a change in control, each director's unvested restricted stock units, if any, will become vested five days prior to the date of the transaction which results in the change of control.

**Code of Ethics**

The Board has approved and adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the Company's principal executive officer and the principal financial officer. The Code of Business Conduct and Ethics is available in its entirety on the Company's website, [www.texasroadhouse.com](http://www.texasroadhouse.com). The Company intends to post amendments to, or waivers from, its Code of Business Conduct and Ethics, if any, that apply to the principal executive officer and the principal financial officer on its website.

**PROPOSAL 2**  
**RATIFICATION OF INDEPENDENT AUDITORS**

Pursuant to its charter, the audit committee has appointed the firm of KPMG LLP to serve as the independent auditors to audit the financial statements and the internal control over financial reporting of the Company for the fiscal year which ends on December 25, 2012. Accordingly, a resolution will be presented at the Annual Meeting to ratify the appointment of KPMG LLP. If the stockholders fail to ratify the appointment of KPMG LLP, the audit committee will reconsider such appointment. Even if the appointment is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm as the Company's independent auditors at any time during the year if the audit committee believes that such a change would be in the best interests

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of the Company and its stockholders. One or more representatives of KPMG LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

**Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR 2012.**



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**AUDIT COMMITTEE REPORT**

The audit committee of the Board is composed of three directors, all of whom meet the criteria for independence under the applicable NASDAQ and SEC rules and the Sarbanes-Oxley Act. The committee acts under a written charter adopted by the Board, a copy of which is available on the Company's website at [www.texasroadhouse.com](http://www.texasroadhouse.com).

The purpose of the audit committee is to assist the Board in its general oversight of the Company. The primary responsibilities of the audit committee are to oversee and monitor the integrity of the Company's financial reporting process, financial statements and systems of internal controls; the Company's compliance with legal and regulatory requirements; the independent auditors' qualifications, independence and performance; and the performance of the Company's internal audit function. The audit committee is responsible for the selection, retention, supervision and termination of the independent auditors, including resolving disagreements between management and the independent auditors. The audit committee is also responsible for overseeing the adequacy of the authority, responsibilities and functions of the Company's internal audit department and for monitoring the Company's risk assessment and risk management practices.

The audit committee is not responsible for conducting reviews of auditing or accounting procedures. Management of the Company has primary responsibility for preparing the Company's financial statements and for the Company's financial reporting process, including primary responsibility for establishing, maintaining and evaluating the effectiveness of internal control over financial reporting. The Company's independent auditors are responsible for auditing and reporting on the conformity of the Company's consolidated financial statements to accounting principles generally accepted in the United States. The independent auditors are also responsible for auditing and reporting on the effectiveness of the Company's internal control over financial reporting. The audit committee serves a board-level oversight role in which it provides advice, counsel and direction to management, internal audit and the independent auditors on the basis of the information it receives, discussions with the independent auditors and the experience of the audit committee's members in business, financial and accounting matters.

In this context, the audit committee has prepared the following report on its activities and with respect to the Company's audited financial statements for the fiscal year ended December 27, 2011 (the "Audited Financial Statements").

The audit committee met 15 times during the fiscal year 2011. The committee's meetings included private sessions with the Company's independent auditors and internal auditor, as well as executive sessions consisting of only committee members. The committee also met periodically in private sessions with the Company's Chief Financial Officer and the Company's General Counsel;

The audit committee reviewed the certification process for the Company's Code of Business Conduct and Ethics, and the corresponding results.

The audit committee reviewed the scope, plans and results of the testing performed by the Company's internal auditors and independent auditors in their assessments of internal control over financial reporting;

The audit committee reviewed the matters submitted to it via the Company's whistleblower hotline regarding concerns about allegedly questionable financial, accounting or auditing matters;

The audit committee reviewed with management, including the internal auditor and the General Counsel, and the independent auditors, the Company's practices with respect to risk assessment and risk management. The overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs were also reviewed;

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The audit committee reviewed and discussed the Company's Audited Financial Statements for the fiscal year 2011 with management;

On a quarterly basis, the audit committee discussed with KPMG LLP, the Company's independent auditors for the fiscal year 2011, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees;

The audit committee received from the independent auditors the written disclosures and the letter from KPMG LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence, and has discussed with the independent auditor the independent auditor's independence;

The audit committee reviewed the selection, application and disclosure of critical accounting policies;

The audit committee reviewed the Company's earnings press releases prior to issuance;

The audit committee reviewed the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K prior to filing with the SEC; and

Based on the review and discussion referred to above, and in reliance thereon, the audit committee recommended to the Board that the Audited Financial Statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2011, for filing with the SEC.

All members of the audit committee concur in this report.

Gregory N. Moore, Chair  
James F. Parker  
James R. Ramsey

### **Fees Paid to the Independent Auditors**

We paid the following fees to KPMG LLP for fiscal years 2011 and 2010:

|                    | <b>2011</b> | <b>2010</b> |
|--------------------|-------------|-------------|
| Audit Fees         | \$ 527,000  | \$ 527,000  |
| Audit-related Fees |             | 1,500       |
| Tax Fees           |             | 55,680      |
|                    | \$ 527,000  | \$ 584,180  |

#### Audit Fees

KPMG LLP charged \$527,000 in both fiscal years 2011 and 2010 for audit fees. These include professional services in connection with the audit of the Company's annual financial statements and its internal control over financial reporting. They also include reviews of the Company's financial statements included in the Company's Quarterly and Annual Reports on Form 10-Q and Form 10-K and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal years shown.

#### Audit-related Fees

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KPMG LLP did not charge the Company for any audit-related services in fiscal year 2011. KPMG LLP charged \$1,500 in fiscal year 2010 for professional services related to reviews of specific

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restaurants' sales for licensing purposes. Both the retention of KPMG LLP for these services and the budget for these services were pre-approved by the audit committee.

Tax Fees

KPMG LLP did not charge the Company for any tax consulting services in fiscal year 2011. KPMG LLP charged \$55,680 in fiscal year 2010 for tax consulting services related to structuring the Company's international business operations. Both the retention of KPMG LLP for these services and the budget for these services were pre-approved by the audit committee.

Pre-approval Policies and Procedures

The audit committee pre-approved all audit, audit-related and permissible non-audit services provided to the Company by KPMG LLP before management engaged the auditors for those purposes. The policy of the committee is to review all engagement letters for accounting firms for non-audit services while allowing the Company to enter into the agreements, but to specifically pre-approve all services to be provided by the firm which performs the annual audit of the Company's financial statements and internal control over financial reporting.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The audit committee's charter provides that the audit committee will review and approve any transactions between us and any of our executive officers, directors and 5% stockholders, or any members of their immediate families, in which the amount involved exceeds the threshold limits established by the regulations of the SEC. In reviewing a related-party transaction, the audit committee considers the material terms of the transaction, including whether the terms are generally available to an unaffiliated third party under similar circumstances. Except as specifically noted, the transactions described below were entered into before our initial public offering and the subsequent formation of the audit committee.

Table of Contents**Grants of Franchise or License Rights**

We have licensed or franchised restaurants to companies owned in part by the executive officers listed below. We believe that allowing our executive officers to maintain ownership interests in our restaurants makes them more invested in the overall success of the brand. The licensing or franchise fees paid by these companies to us range from 0.0% to 3.5% of restaurant sales.

| Restaurant       | Name and Ownership  | Initial Franchise Fee | Royalty Rate | Fees Paid to Us in Fiscal 2011 (\$ in thousands) |
|------------------|---|-----------------------|--------------|--|
| Billings, MT     | W. Kent Taylor (55.0%)<br>Scott M. Colosi (2.0%)  |                       | 3.5%         | 161.8  |
| Bossier City, LA | Steven L. Ortiz (66.0%)   |                       | 3.5%         | 165.0  |
| Brownsville, TX  | G.J. Hart (61.23%)(1)<br>Steven L. Ortiz (30.61%)   |                       | 3.5%         | 176.9  |
| Everett, MA      | W. Kent Taylor (59.0%)  |                       | 3.5%         | 219.3  |
| Fargo, ND        | G.J. Hart (83.84%)(1)<br>Scott M. Colosi (5.05%)  |                       | 3.5%         | 160.4  |
| Lexington, KY(2) | W. Kent Taylor (10.0%)  |                       | 2.0%         | 83.6   |
| Longmont, CO     | Steven L. Ortiz (47.5%)   |                       | 3.5%         | 108.8  |
| McKinney, TX     | G.J. Hart (30.0%)(1)<br>Steven L. Ortiz (30.0%)<br>Scott M. Colosi (2.0%)                           |                       | 3.5%         | 149.4  |
| Melbourne, FL(3) | W. Kent Taylor (34.0%)  |                       |              | 93.7   |
| Muncie, IN(4)    | W. Kent Taylor (11.48%)   | \$50,000 per year     |              | 50.0   |
| New Berlin, WI   | G.J. Hart (30.0%)(1)<br>Steven L. Ortiz (30.0%)<br>Scott M. Colosi (2.0%)                           |                       | 3.5%         | 105.9  |
| Omaha, NE        | G.J. Hart (68.68%)(1)<br>Scott M. Colosi (10.99%)   |                       | 3.5%         | 157.2  |
| Port Arthur, TX  | W. Kent Taylor (30.0%)<br>G.J. Hart (30.0%)(1)<br>Steven L. Ortiz (30.5%)<br>Scott M. Colosi (3.0%) |                       | 3.5%         | 167.7  |
| Temple, TX       | Steven L. Ortiz (78.0%)   |                       | 3.5%         | 131.9  |
| Wichita, KS      | W. Kent Taylor (48.1%)<br>Scott M. Colosi (4.0%)  |                       | 3.5%         | 239.5  |

- 
- (1) Mr. Hart was an executive officer until his resignation on August 17, 2011.
- (2) Licensed restaurant which opened in January 1995.
- (3) Licensed restaurant which opened in September 1996. In lieu of royalties, the entity pays supervision fees.
- (4) Licensed restaurant which opened in November 1996.

We have entered into a preliminary franchise agreement with a company which is 95% owned by W. Kent Taylor to develop a restaurant at a location which is to be determined. The terms of the preliminary franchise agreement provide for no initial franchise fees and royalties of 3.5% of restaurant sales. During 2011, we received no payment from this franchise restaurant, as none was due. The executive officers will not be granted any additional franchise rights.



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The franchise agreements and preliminary franchise agreements that we have entered into with our executive officers, directors and 5% stockholders contain the same terms and conditions as those agreements that we enter into with our other domestic franchisees, with the exception of the initial franchise fees and the royalty rates, which are currently \$40,000 and 4.0%, respectively, for our other domestic franchisees. With the exception of the Lexington, KY, Melbourne, FL and Muncie, IN licensed restaurants, we have the contractual right, but not the obligation, to acquire the restaurants owned by our executive officers, directors and 5% stockholders based on a pre-determined valuation formula which is the same as the formula contained in the domestic franchise agreements that we have entered into with other franchisees with whom we have such rights. A preliminary agreement for a franchise may be terminated if the franchisee does not identify and obtain our approval of its restaurant management personnel, locate and obtain our approval of a suitable site for the restaurant or does not demonstrate to us that it has secured necessary capital and financing to develop the restaurant. Once a franchise agreement has been entered into, it may be terminated if the franchisee defaults in the performance of any of its obligations under the agreement, including its obligations to operate the restaurant in strict accordance with our standards and specifications. A franchise agreement may also be terminated if a franchisee becomes insolvent, fails to make its required payments, creates a threat to the public health or safety, ceases to operate the restaurant or misuses the Texas Roadhouse trademarks.

**Other Related Transactions**

The Longview, Texas restaurant, leases the land and restaurant building from an entity controlled by Steven L. Ortiz, our Chief Operating Officer. The lease is for 15 years and will terminate in November 2014. We can renew the lease for two additional periods of five years each. Rent is approximately \$19,000 per month. The lease can be terminated if the tenant fails to pay the rent on a timely basis, fails to maintain the insurance specified in the lease, fails to maintain the building or property or becomes insolvent. Total rent payments for 2011 were approximately \$224,000.

The Bossier City, Louisiana restaurant, of which Steven L. Ortiz beneficially owns 66.0% and we own 5.0%, is leased from an entity owned by Mr. Ortiz. The lease is for 15 years and will terminate on March 31, 2020. We can renew the lease for three additional periods of five years each. Rent is approximately \$16,600 per month and escalates 10% each five years during the term. The lease can be terminated if the tenant fails to pay rent on a timely basis, fails to maintain insurance, abandons the property or becomes insolvent. The tenant's obligation to pay rent commenced in April 2005 and total rent payments for 2011 were approximately \$199,000. The audit committee ratified this transaction in February 2005 after considering market rentals of comparable land and building leases and considering our limited ownership interest. Additionally, the audit committee requested that we attempt to purchase the land and building from Mr. Ortiz' entity in the event the restaurant is ever acquired by us.

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, of which W. Kent Taylor beneficially owns 59.0%, Longmont, CO, of which Steven L. Ortiz owns 47.5%, and Fargo, ND, of which G.J. Hart owns 83.84% and Scott M. Colosi owns 5.05%, before our granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but we remain contingently liable if a franchisee defaults under the terms of a lease. The Longmont lease expires in May 2014, the Everett lease expires in February 2018 and the Fargo lease expires in July 2016.

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**PROPOSAL 3**  
**ADVISORY VOTE ON APPROVAL OF EXECUTIVE COMPENSATION**

The Board of Directors requests stockholder approval of the compensation of the Company's Named Executive Officers as described in the Compensation Discussion and Analysis, the Executive Compensation section and the other related executive compensation tables and related discussions in this proxy statement. As an advisory vote, the outcome of the voting on this proposal is not binding upon the Company; however, the compensation committee, which is responsible for establishing and administering the Company's executive compensation program, values the opinions expressed by stockholders on this proposal and will consider the outcome of the vote when making future compensation decisions for Named Executive Officers.

The objective of the compensation committee in setting and evaluating the compensation of our Named Executive Officers is to promote the sustained profitability of the Company. Toward that end, we seek to attract and retain talented people and to align the interests of our executive officers with those of our stockholders by tying a significant amount of each officer's compensation to the overall performance of the Company. We also seek to provide those officers with a compensation package that is competitive with comparable positions in similar industries. As a result, compensation for the Named Executive Officers is divided into three key components: (1) base salary, which provides a secure base of compensation and serves to motivate and retain our Named Executive Officers; (2) an incentive bonus, which rewards our Named Executive Officers for the success of the Company as measured by growth in the Company's earnings per diluted share, and for each officer's individual contribution to that success; and (3) grants of restricted stock units, which offer the Named Executive Officers a financial interest in the long-term success of the Company and align their interests with those of our stockholders.

This structure, along with the culture and values of our Company, allows the Company to attract and retain top talent, while also encouraging our officers to keep their focus on key strategic financial and operational goals. The Board was pleased to receive stockholder approval of the compensation packages of our Named Executive Officers in the advisory vote at the prior Annual Meeting and again requests approval of the compensation packages of our Named Executive Officers.

**Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE EXECUTIVE COMPENSATION DETAILED IN THIS PROXY STATEMENT.**



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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Overview and Philosophy**

We entered into new employment agreements (the "2012 Employment Agreements") with W. Kent Taylor, Scott M. Colosi, Steven L. Ortiz, G. Price Cooper, IV and Jill Marchant, our continuing Named Executive Officers, on January 6, 2012, each of which expires on January 7, 2015. During fiscal year 2011, each of W. Kent Taylor, Scott M. Colosi, Steven L. Ortiz, Gerard J. Hart (former President and CEO) and Sheila C. Brown (former General Counsel and Corporate Secretary) were party to employment agreements dated January 14, 2008, and amended on February 18, 2010, for a term expiring on January 7, 2012 (the "2008 Employment Agreements"). Also during fiscal year 2011, each of G. Price Cooper, IV and Jill Marchant were party to employment agreements dated January 8, 2010 and August 31, 2011, respectively.

Each officer's 2012 Employment Agreement establishes a base salary which is to remain constant throughout the term of the agreement, and an incentive bonus amount based on the achievement of defined goals to be established by the compensation committee. Each officer's 2012 Employment Agreement also provides for the grant of restricted stock units, which grant the officers the conditional right to receive shares of our common stock upon vesting. Each officer has agreed not to compete with us during the term of his or her employment and for a period of two years following his or her termination of employment, unless the officer's employment is terminated without cause following a change in control, in which case the officer has agreed not to compete with us through the date of the last payment of the officer's severance payments. The 2012 Employment Agreements contain a "clawback" provision that enables the Company to seek reimbursement to the Company of any compensation paid to any Named Executive Officer which is required to be recovered by any law, governmental regulation or order, or stock exchange listing requirement.

The underlying philosophy reflected in the 2012 Employment Agreements was to provide the Named Executive Officers with a compensation package which, in total, would promote the sustained profitability of the Company and align the interests of our executive officers with those of our stockholders by tying a significant amount of each officer's compensation to the overall performance of the Company. The compensation packages contained in those agreements also reflect a pragmatic response to external market conditions; that is, compensation that is competitive with comparable positions in similar industries, including the casual dining sector of the restaurant industry, but which is reasonable and in the best interests of our stockholders. We believe that the overall design of the compensation packages, along with the culture and values of our Company, allows us to attract and retain top talent, while also keeping the Named Executive Officers focused on both long-term business development and short-term financial growth.

The compensation committee did not use a compensation consultant in determining the compensation packages under the 2012 Employment Agreements, and did not apply a set formula for allocating between cash and equity in developing the total compensation packages. Rather, the compensation committee applied the business judgment of the committee members to design compensation packages for the Named Executive Officers based on the specific philosophies described herein taking into account all surrounding facts and circumstances. In deciding to continue with our existing executive compensation practices, our compensation committee considered that the holders of over 99.4% of the votes cast at our 2011 Annual Meeting on an advisory basis approved the compensation of our named executive officers as disclosed in the proxy statement for that Annual Meeting. While the compensation committee consulted with each of the executive officers in advance of the final approval of the 2012 Employment Agreements, none of the executive officers, including Mr. Taylor, participated in the creation of the compensation packages contained therein.

Table of Contents**Elements of Compensation**

## Base Salary

Base salaries for our Named Executive Officers are designed to provide a secure base of compensation which will be effective in motivating and retaining key executives. The actual amounts paid to each Named Executive Officer during the fiscal year 2011 pursuant to the 2008 Employment Agreements, as adjusted by raises received by each of the continuing Named Executive Officers in connection with increased responsibilities during 2011, are more fully described in "Executive Compensation."

Each officer's 2012 Employment Agreement establishes an annual salary as shown in the table below which is to remain constant throughout the term of the agreement.

|   | Annual Salary<br>(\$) |
|---|-----------------------|
| W. Kent Taylor<br>Chairman, Chief Executive Officer | 525,000               |
| Scott M. Colosi<br>President                        | 400,000               |
| Steven L. Ortiz<br>Chief Operating Officer          | 480,000               |
| G. Price Cooper, IV<br>Chief Financial Officer      | 250,000               |
| Jill Marchant<br>General Counsel                    | 225,000               |
| Incentive Bonus                                     |                       |

Incentive bonuses are designed to reward our Named Executive Officers for the success of the Company, as measured by growth in the Company's earnings per diluted share ("EPS"), and for each officer's individual contribution to that success. It is our belief that a significant amount of each officer's compensation should be tied to the performance of the Company.

Under the 2008 Employment Agreements, the compensation committee established a new target for the Named Executive Officers under the incentive compensation program each year. In February 2011, a target of ten percent EPS growth was approved. The annual target represented management's estimate of a fair long-term growth goal, balancing year-over-year growth for the prior three fiscal years and the desire to increase stockholder value with the uncertainty of the macroeconomic environment. Depending on the level of achievement of the EPS target each year, the bonus could be reduced to a minimum of \$0 or increased to a maximum of two times the base amount. The base, minimum and maximum amounts payable to each officer are shown in the table below. Each one percent change from the EPS target results in an increase or decrease of ten percent to the base bonus amount within the range specified. For example, if we achieved 11% EPS growth, the bonus payable would have been 110% of the base bonus amount. Conversely, if we achieved nine percent the bonus payable would have been 90% of the base bonus amount. The annual target could be adjusted for acquisitions or divestitures, accounting changes and other extraordinary events as noted by the compensation committee. No such adjustments were made to the 2011 annual target, and in February 2012, bonuses were paid to the officers at 107% of the base amount, based on actual EPS achieved during fiscal year 2011. The actual amounts earned by each Named Executive Officer during fiscal year 2011 are more fully described in "Executive Compensation."

For 2012, the compensation committee has established a two-pronged approach to tying the incentive compensation to Company performance. Under this approach, 50% of the target incentive

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bonus is awarded based on whether the Company achieves an annual EPS growth target established by the committee. The other 50% is based on a profit sharing pool comprised of 1.5% of the Company's pre-tax profits (income before taxes minus income attributable to non-controlling interests, as reported in our audited financial statements), which pool will be distributed among our Named Executive Officers and certain other members of the Company's senior management. Depending on the level of achievement of the EPS target each year, 50% of the incentive bonus may be reduced to a minimum of \$0 or increased to a maximum of two times the base amount. Each one percent change from the EPS target results in an increase or decrease of ten percent to the portion of the base bonus attributable to the achievement of the EPS growth target. For example, if we achieve 11% EPS growth, the bonus payable would be 110% of the portion of the base bonus attributable to the achievement of the EPS growth target. Conversely, if we achieve nine percent the bonus payable would be 90% of the portion of the base bonus attributable to the achievement of the EPS growth target. The remaining 50% of the officers' incentive bonus will fluctuate directly with Company pre-tax profits. The annual profit sharing component allows the Named Executive Officers to participate in a profit sharing pool with other members of the Company's management team. By allowing this level of participation in the Company's overall profits, the committee encourages responsible growth and aligns the interests of the officers with those of other management employees in the Company. This portion of the incentive bonus may be reduced to a minimum of \$0 if the Company ceases to be profitable, and may be increased to a maximum of two times the base amount established for each individual participant. Both portions of the incentive bonus can be adjusted by the compensation committee for acquisitions or divestitures, accounting changes and other extraordinary costs.

We pay bonuses on a quarterly basis, based upon achievement of quarterly targets that equal, in the aggregate, the annual target.

**Executive Incentive Compensation for the Fiscal Year 2012**

| <b>Name</b>         | <b>Base<br/>Bonus \$</b> | <b>Minimum<br/>Bonus \$</b> | <b>Maximum<br/>Bonus \$</b> |
|---------------------|--------------------------|-----------------------------|-----------------------------|
| W. Kent Taylor      | 525,000                  |                             | 1,050,000                   |
| Scott M. Colosi     | 300,000                  |                             | 600,000                     |
| Steven L. Ortiz     | 480,000                  |                             | 960,000                     |
| G. Price Cooper, IV | 150,000                  |                             | 300,000                     |
| Jill Marchant       | 100,000                  |                             | 200,000                     |
| Stock Awards        |                          |                             |                             |

Prior to fiscal year 2008, we made equity awards in the form of stock options, some of which remain outstanding as noted in the Outstanding Equity Awards table below. Currently, we make equity awards in the form of restricted stock units, which represent the conditional right to receive one share of our common stock upon satisfaction of the vesting requirements.

We believe that restricted stock units offer the Named Executive Officers a financial interest in the Company and align their interests with those of our stockholders. The value of a restricted stock unit is dependent upon the price of our common stock on the date of vesting. Therefore, a recipient of a restricted stock unit is motivated to improve the Company's performance in the hope that the performance will be reflected by the stock price. Restricted stock units also serve to retain the Named Executive Officers as they vest over a period of time. The number of restricted stock units granted to each officer reflects each officer's job responsibilities and individual contribution to the success of the Company.

The number of restricted stock units granted under the original 2008 Employment Agreements and the amendments thereto are shown in the table below. Each of the grants under the original 2008

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Employment Agreements vested in 25% increments each January 7 over a four-year period ending on January 7, 2012. The grants under the amendments to the 2008 Employment Agreements were made on January 8, 2011 and will vest on January 7, 2013. Mr. Taylor requested that he not be granted any restricted stock units under his 2008 Employment Agreement, and the compensation committee honored his request.

On August 17, 2011, we entered into an agreement with G.J. Hart, our former President and Chief Executive Officer whereby Mr. Hart would be available to provide consulting services to us from August 17, 2011 through January 2, 2012. As consideration for that agreement, our Board of Directors accelerated the vesting of a grant of 60,000 restricted stock units from January 7, 2012 to January 2, 2012. The agreement also provided for partial payment of health insurance premiums through December 31, 2011. The Board further agreed to payment of Mr. Hart's cash incentive bonus pro-rated to the date of his resignation.

On November 17, 2011, we entered into an agreement with Sheila C. Brown, our former General Counsel and Corporate Secretary, whereby Ms. Brown will be available to provide consulting services to us from January 8, 2012 through January 7, 2013. As consideration for that agreement, she will receive \$2,500 per month. In consideration of and subject to her continued service to the Company, our Board of Directors will also allow the vesting of 25,000 restricted stock units which were granted to Ms. Brown pursuant to her 2008 Employment Agreement, which are due to vest on January 7, 2013.

|                 | <b>Restricted Stock<br/>Units granted<br/>pursuant to<br/>original<br/>2008 Employment<br/>Agreements</b> | <b>Restricted Stock<br/>Units granted<br/>pursuant to<br/>Amendments to<br/>2008 Employment<br/>Agreements</b> |     |
|-----------------|---|--|-----|
| G.J. Hart       | 240,000   |  | (1) |
| Scott M. Colosi | 125,000   | 41,667   |     |
| W. Kent Taylor  |   |  |     |
| Steven L. Ortiz | 175,000   | 58,333   |     |
| Sheila C. Brown | 75,000  | 25,000   |     |

(1)

Mr. Hart was originally granted 80,000 restricted stock units under the amendment to his 2008 Employment Agreement, which shares were forfeited upon his resignation.

The 2012 Employment Agreements provide for a grant to each officer of restricted stock units in the amounts set forth below on January 8, 2012, which stock will vest in  $\frac{1}{3}$  increments each January 7 over a three-year period ending on January 7, 2015.

|                     | <b>Restricted Stock<br/>Units granted<br/>pursuant to<br/>2012 Employment<br/>Agreements</b> |
|---------------------|--|
| W. Kent Taylor      | 210,000  |
| Scott M. Colosi     | 150,000  |
| Steven L. Ortiz     | 180,000  |
| G. Price Cooper, IV | 75,000   |
| Jill Marchant       | 45,000   |

### **Separation and Change in Control Arrangements**

The 2012 Employment Agreements provide that, except in the event of a change in control, the employment agreements with Messrs. Taylor and Ortiz provide that no severance will be paid to either of them upon termination of employment, but each is entitled to receive a gift of a crisp \$100 bill if his

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employment is terminated by the Company without cause before the end of the term. Except in the event of a change in control, the employment agreements with Mr. Colosi, Mr. Cooper and Ms. Marchant provide that if the Company terminates their employment without cause before the end of the term, and if the officer signs a release of all claims against the Company, the Company will pay a severance payment equal to any bonus for a quarter or year already ended (even if not yet paid at termination), plus the officer's base salary for a period of 180 days, and payment of a fixed sum (\$150,000 for Mr. Colosi, \$75,000 for Mr. Cooper, and \$50,000 for Ms. Marchant). Similar payments are due to the officers if employment is terminated by reason of death or disability before the end of the term. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the officers in periodic installments in accordance with our normal payroll practices. The fixed sum is paid in a single lump sum, and any bonus component of the severance payments for a performance period that ended before termination is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

The 2012 Employment Agreements also provide that if the officer's employment is terminated other than for cause following a change in control, or if the officer resigns for good reason following a change in control because he or she is required to relocate, the Company's successor does not agree to be bound by the agreement, or the officer's responsibilities, pay or total benefits are reduced, such officer will receive severance payments in an amount equal to the officer's base salary and incentive bonus for a period which is the longer of the remainder of the term of the agreement or one year. In addition, the officer's unvested stock options or other stock awards, if any, will become vested as of the date of termination. The payments and acceleration of vesting of the stock options or other stock awards are contingent upon the officer signing a full release of claims against us. The salary component of the severance payments is subject to deductions and withholdings and is to be paid to the officers in periodic installments in accordance with our normal payroll practices or in a lump sum at the discretion of the compensation committee and in compliance with Section 409A of the Internal Revenue Code. The bonus component of the severance payments to the officers is to be paid on the same date as the payment would have been made had his or her employment not been terminated.

The estimated amounts that would be payable to a Named Executive Officer under these arrangements are more fully described in "Termination, Change of Control and Change of Responsibility Payments."

**COMPENSATION COMMITTEE REPORT**

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the compensation committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 27, 2011.

All members of the compensation committee concur in this report.

James F. Parker, Chair  
Martin T. Hart  
Gregory N. Moore  
James R. Ramsey  
James R. Zarley

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The compensation committee of the Board is comprised of Messrs. Hart, Moore, Parker, Ramsey and Zarley, each a non-employee director of the Company. None of our executive officers serve on the

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compensation committee or board of directors of any other company of which any members of our compensation committee or any of our directors is an executive officer.

**EXECUTIVE COMPENSATION**

The following table sets forth the total compensation paid or accrued for the fiscal years 2011, 2010 and 2009 for W. Kent Taylor, our Chairman and Chief Executive Officer, Scott M. Colosi, our President for a portion of 2011 and our Chief Financial Officer for a portion of 2011, G. Price Cooper, IV, our Chief Financial Officer for a portion of 2011, and Gerard J. Hart our former President and Chief Executive Officer. It also includes such information for each of our three other most highly compensated executive officers as those positions varied during 2011.

On August 17, 2011, Gerard J. Hart resigned his positions as President and Chief Executive Officer, and resigned as a member of our Board of Directors. Following Mr. Hart's resignation, the Board appointed W. Kent Taylor as Chief Executive Officer (in addition to his existing role as Chairman), Scott M. Colosi as President, and G. Price Cooper, IV as Chief Financial Officer. In recognition of their increased responsibilities as a result of these appointments, the compensation committee approved an increase in their base salaries effective as of August 17, 2011. On November 17, 2011, Sheila C. Brown resigned her positions as General Counsel and Corporate Secretary, which resignation was effective as of the close of business on November 31, 2011. The Board appointed Jill Marchant as General Counsel effective December 1, 2011. Ms. Brown retired from her employment with the Company at the close of business on January 7, 2012.

Table of Contents**Summary Compensation Table**

| <b>Name and Principal Position</b><br><b>(a)</b>                     | <b>Year</b><br><b>(b)</b> | <b>Salary</b><br><b>(\$)</b><br><b>(c)</b> | <b>Bonus</b><br><b>(\$)(1)</b><br><b>(d)</b> | <b>Grant Date</b><br><b>Fair Value of</b><br><b>Stock</b><br><b>Awards</b><br><b>(\$)(2)</b><br><b>(e)</b> | <b>Non-equity</b><br><b>Incentive</b><br><b>Plan</b><br><b>Compensation</b><br><b>(\$)</b><br><b>(f)</b> | <b>All Other</b><br><b>Compensation</b><br><b>(\$)</b><br><b>(i)</b> | <b>Total</b><br><b>(\$)</b><br><b>(g)</b> |
|--|---------------------------|--|--|--|--|--|---|
| W. Kent Taylor<br>Chairman, Chief Executive<br>Officer               | 2011                      | 300,000                                    |  |  | 305,800  | 9,000  | 614,800                                   |
|  | 2010                      | 300,000                                    |  |  | 380,800  | 9,000  | 689,800                                   |
|  | 2009                      | 300,000                                    |  |  | 400,000  | 9,000  | 709,000                                   |
| G.J. Hart(3)<br>former President, Chief<br>Executive Officer         | 2011                      | 440,769                                    |  | 1,388,800  | 912,739  | 6,700  | 2,749,008                                 |
|  | 2010                      | 600,000                                    |  |  | 1,142,400  | 9,000  | 1,751,400                                 |
|  | 2009                      | 600,000                                    |  |  | 1,200,000  | 9,000  | 1,809,000                                 |
| Scott M. Colosi<br>President (formerly Chief<br>Financial Officer)   | 2011                      | 334,615                                    | 200  | 723,339  | 388,019  | 9,000  | 1,455,173                                 |
|  | 2010                      | 300,000                                    | 200  |  | 476,000  | 9,000  | 785,200                                   |
|  | 2009                      | 300,000                                    | 200  |  | 500,000  | 9,000  | 809,200                                   |
| G. Price Cooper, IV(4)<br>Chief Financial Officer                    | 2011                      | 217,961                                    | 200  |  | 132,556  | 9,000  | 359,717                                   |
| Steven L. Ortiz<br>Chief Operating Officer                           | 2011                      | 460,000                                    | 200  | 1,012,661  | 611,600  | 9,000  | 2,093,461                                 |
|  | 2010                      | 460,000                                    |  |  | 761,600  | 9,000  | 1,230,600                                 |
|  | 2009                      | 460,000                                    |  |  | 800,000  | 9,000  | 1,269,000                                 |
| Sheila C. Brown(5)<br>former General Counsel,<br>Corporate Secretary | 2011                      | 225,000                                    | 200  | 434,000  | 152,900  | 7,800  | 819,900                                   |
|  | 2010                      | 225,000                                    | 200  |  | 190,400  | 7,800  | 423,400                                   |
|  | 2009                      | 225,000                                    | 200  |  | 200,000  | 7,800  | 433,000                                   |
| Jill Marchant(6)<br>General Counsel                                  | 2011                      | 79,615                                     | 50,000(7)                                    | 16,256   | 25,000   | 12,328(8)  | 183,199                                   |

(1) Except as discussed in footnote (8) below, this column represents holiday bonus awards paid to the Named Executive Officers for the fiscal years ended December 27, 2011, December 28, 2010 and December 29, 2009.

(2) Column (e) reflects the grant date fair value of the awards pursuant to the Company's equity incentive program in accordance with SFAS 123R. For restricted stock units, fair value is equal to the closing price of the company's common stock on the trading day immediately preceding the date of the grant, which was \$17.36 with respect to all of the grants except for Ms. Marchant's, which was \$14.36.

The Company cautions that the amounts reported in the Summary Compensation Table for these awards may not represent the amounts that the Named Executive Officers will actually realize from the awards. Whether, and to what extent, a Named Executive Officer realizes value will depend on the Company's actual operating performance, stock price fluctuations and the Named Executive Officer's continued service with the Company. Additional information on all outstanding stock and option awards is reflected in the "Grants of Plan-Based Awards Table" and the "Outstanding Equity Awards at Fiscal Year End Table."

(3) Mr. Hart resigned his position on August 17, 2011.

(4) Mr. Cooper assumed the position of Chief Financial Officer on August 17, 2011. Prior to that date, he was employed as Vice President of Finance, a position he also held during fiscal years 2010 and 2009.

(5)

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Ms. Brown resigned her executive officer positions effective as of the close of business on November 30, 2011, but continued to be employed by the Company through January 7, 2012.



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- (6) Ms. Marchant assumed the position of General Counsel on December 1, 2011. Prior to that date, she was employed as Special Counsel, a position she held since August 15, 2011.
- (7) This amount represents a \$50,000 one-time relocation bonus.
- (8) This amount consists of a \$3,000 auto allowance (pro-rated from the annual allowance), \$4,146 in moving expenses, and \$5,182 in additional relocation assistance.

**Grants of Plan-Based Awards in Fiscal Year 2011**

The following table presents information with respect to grants of stock awards to the Named Executive Officers during fiscal year 2011.

**Grants of Plan-Based Awards Table**

| Name<br>(a)         | Grant Date<br>(b) | All Other Stock<br>Awards: Number<br>of Shares of Stock<br>or Units<br>(#)(1)<br>(c) | Grant Date Fair<br>Value of<br>Stock and Option<br>Awards<br>(\$)(2)<br>(d) |
|---------------------|-------------------|--|---|
| G.J. Hart(3)        | January 8, 2011   | 80,000   | 1,388,800   |
| Scott M. Colosi     | January 8, 2011   | 41,667   | 723,339   |
| W. Kent Taylor      |                   |  |   |
| Steven L. Ortiz     | January 8, 2011   | 58,333   | 1,012,661   |
| Sheila C. Brown     | January 8, 2011   | 25,000   | 434,000   |
| G. Price Cooper, IV |                   |  |   |
| Jill Marchant       | November 7, 2011  | 1,132  | 16,256  |

- (1) Each stock award listed in column (c) consists of restricted stock units, where each unit represents the conditional right to receive one share of our common stock upon satisfaction of vesting requirements. Each of Messrs. Colosi's and Ortiz's restricted stock units vest on January 7, 2013. Ms. Brown's restricted stock units will also vest on January 7, 2013, subject to the terms of her consulting agreement with the Company. Ms. Marchant's restricted stock units will vest on August 15, 2014. Mr. Hart's restricted stock units will not vest due to his resignation of his employment with the Company. See the "Compensation Discussion and Analysis" for the conditions of accelerated vesting upon termination of employment other than for cause.
- (2) Column (d) reflects the grant date fair value of the awards pursuant to the Company's equity incentive program in accordance with SFAS 123R. For restricted stock units, fair value is equal to the closing price of the company's common stock on the trading day immediately preceding the date of the grant, which was \$17.36 with respect to the grants made on January 8, 2011, and \$14.36 with respect to the grant made on November 7, 2011.
- The Company cautions that the amounts reported in the Grants of Plan-Based Awards Table for these awards may not represent the amounts that the Named Executive Officers will actually realize from the awards. Whether, and to what extent, a Named Executive Officer realizes value will depend on the Company's actual operating performance, stock price fluctuations and the Named Executive Officer's continued employment.
- (3) Mr. Hart was originally granted 80,000 restricted stock units under the amendment to his 2008 employment agreement, but the terms of his Consulting Agreement do not contemplate the vesting of those shares.

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The following table presents information with respect to outstanding stock option and stock awards as of December 27, 2011 by the Named Executive Officers.

**Outstanding Equity Awards at Fiscal Year End Table**

| Name<br>(a)            | Option Awards  |  |                                  | Option<br>Expiration<br>Date(1)<br>(e) | Stock Awards  |   |
|------------------------|--|--|----------------------------------|--|---|---|
|                        | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>Exercisable<br>(#)<br>(b) | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>Unexercisable<br>(#)<br>(c) | Exercise<br>Price<br>(\$)<br>(d) |  | Number of<br>Shares or<br>Units of<br>Stock That<br>Have Not<br>Vested<br>(#)(2)<br>(f) | Market<br>Value<br>of Shares or<br>Units of<br>Stock That<br>Have Not<br>Vested<br>(\$)(3)<br>(g) |
| W. Kent Taylor         |  |  | NA                               | NA                                     |   | NA  |
| Scott M. Colosi        | 35   |  | 3.45                             | 09/09/2012(i)                          | 72,917(i)   | 1,103,234   |
|                        | 35   |  | 3.45                             | 09/09/2012(ii)                         |   |   |
|                        | 35   |  | 3.45                             | 09/09/2012(iii)                        |   |   |
|                        | 3,480  |  | 3.45                             | 09/09/2012(i)                          |   |   |
|                        | 18,750   |  | 8.75                             | 10/08/2014(iv)                         |   |   |
|                        | 95,000   |  | 8.75                             | 10/08/2014(v)                          |   |   |
| Steven L. Ortiz        | 7,402  |  | 8.75                             | 10/04/2014(vi)                         | 102,083(ii)   | 1,544,516   |
|                        | 28,160   |  | 8.75                             | 10/04/2014(vi)                         |   |   |
|                        | 57,000   |  | 8.75                             | 10/08/2014(vii)                        |   |   |
|                        | 57,000   |  | 8.75                             | 10/08/2014(iv)                         |   |   |
|                        | 171,000  |  | 8.75                             | 10/08/2014(v)                          |   |   |
| G. Price Cooper,<br>IV |  |  | NA                               | NA                                     | 10,000(iii)   | 151,300   |
| Jill Marchant          |  |  | NA                               | NA                                     | 1,132(iv)   | 17,127  |
| Sheila C. Brown        |  |  | NA                               | NA                                     | 43,750(v)   | 661,938   |
| Gerard J. Hart         | 175,000  |  | 8.75                             | 10/08/2014(v)                          | 60,000(vi)  | 907,800   |

(1) The option vesting dates are as follows:

- (i) 09/09/2006
- (ii) 09/09/2007
- (iii) 09/09/2008
- (iv) 10/08/2006
- (v) 10/08/2007
- (vi) 10/04/2005

(vii)

10/08/2005

See the "Compensation Discussion and Analysis" for the conditions of accelerated vesting upon termination of employment other than for cause.

(2)

The vesting schedule is as follows:

(i)

31,250 shares on January 7, 2012 and 41,667 shares on January 7, 2013

(ii)

43,750 shares on January 7, 2012 and 58,333 shares on January 7, 2013

(iii)

July 1, 2012

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- (iv) August 15, 2014
- (v) 18,750 shares on January 7, 2012, pursuant to the terms of Ms. Brown's employment agreement, and 25,000 shares on January 7, 2013, pursuant to the terms of Ms. Brown's consulting agreement
- (vi) 60,000 shares on January 2, 2012, pursuant to the terms of Mr. Hart's consulting agreement

See the Compensation Discussion and Analysis for the conditions of accelerated vesting upon termination of employment other than for cause.

- (3) Market value was computed using the Company's closing stock price on December 27, 2011 of \$15.13 per share.

**Option Exercises**

The following table presents information with respect to stock options exercised during the fiscal year ended December 27, 2011 by the Named Executive Officers.

**Option Exercises and Stock Vested Table**

| Name<br>(a)         | Option Awards   |   | Stock Awards   |  |
|---------------------|---|---|--|--|
|                     | Number of<br>Shares Acquired<br>on Exercise<br>(#)<br>(b) | Value Realized<br>on Exercise<br>(\$)(1)<br>(c) | Number of<br>Shares Acquired<br>on Vesting<br>(#)<br>(d) | Value Realized<br>on Vesting<br>(\$)(2)<br>(e) |
|                     | W. Kent Taylor  |   | NA   |  |
| Scott M. Colosi     |   | NA  | 31,250   | 545,938  |
| Steven L. Ortiz     |   | NA  | 43,750   | 764,313  |
| G. Price Cooper, IV |   | NA  |  | NA   |
| Jill Marchant       |   | NA  |  | NA   |
| Sheila C. Brown     |   |   | 18,750   | 327,563  |
| Gerard J. Hart      |   |   | 60,000   | 1,048,200                                      |

- (1) The value realized upon exercise of options represents the difference between the market value of the underlying securities at exercise and the exercise price of the options.
- (2) The value realized upon vesting of restricted stock units represents the market value of the underlying shares on the vesting date.

**Termination, Change of Control and Change of Responsibility Payments**

Mr. Hart resigned his positions as President and Chief Executive Officer, and as a member of the Board of Directors on August 16, 2011. In connection with Mr. Hart's resignation, the Company entered into an agreement with Mr. Hart, whereby Mr. Hart would be available to provide consulting services to us from August 17, 2011 through January 2, 2012. As consideration for that agreement, our Board of Directors accelerated the vesting of a grant of 60,000 restricted stock units from January 7, 2012 to January 2, 2012. The agreement also provided for partial payment of health insurance premiums through December 31, 2011. The Board further agreed to payment of Mr. Hart's cash incentive bonus pro-rated to the date of his resignation.

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On November 17, 2011, we entered into an agreement with Sheila C. Brown, our former General Counsel and Corporate Secretary, whereby Ms. Brown will be available to provide consulting services to us from January 8, 2012 through January 7, 2013. As consideration for that agreement, she will receive \$2,500 per month. In consideration of and subject to her continued service to the Company, our Board of Directors will also allow the vesting of 25,000 restricted stock units which were granted to Ms. Brown pursuant to her 2008 Employment Agreement, which are due to vest on January 7, 2013.

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The following table lists the estimated amounts payable to a Named Executive Officer if his or her employment had been terminated without cause unrelated to a change of control on December 27, 2011, the last day of our fiscal year, provided that each officer signed a full release of all claims against us.

**Termination Payments Table**

| Name<br>(a)         | Estimated<br>Payments<br>\$(1)<br>(b) | Estimated Value of<br>Newly Vested<br>Stock Awards<br>\$(2)<br>(c) | Total<br>\$(<br>(d) |
|---------------------|---------------------------------------|--|---------------------|
|                     | W. Kent Taylor                        | 100  | NA                  |
| Scott M. Colosi     | 388,385                               | 1,103,234  | 1,491,619           |
| Steven L. Ortiz     | 100                                   | 1,544,516  | 1,544,616           |
| G. Price Cooper, IV | 186,513                               | 151,300  | 337,813             |
| Jill Marchant       | 123,459                               | 17,127   | 140,586             |

(1)

Messrs. Taylor and Ortiz were each entitled to a crisp \$100 bill upon the termination of their employment without cause. If the employment of Mr. Colosi had been terminated under those circumstances, he would have received the amount of his annual base salary then in effect (\$400,000) for 180 days, plus 50% of the bonus he earned (\$382,250) during the four quarters preceding the fourth quarter of the fiscal year 2011. If the employment of Mr. Cooper had been terminated under those circumstances, he would have received the amount of his annual base salary then in effect (\$250,000) for 180 days, plus 50% of the bonus he earned (\$126,450) during the four quarters preceding the fourth quarter of the fiscal year 2011. If the employment of Ms. Marchant had been terminated under those circumstances, she would have received the amount of her annual base salary then in effect (\$225,000) for 180 days, plus 50% of the bonus she earned (\$25,000) during the four quarters preceding the fourth quarter of the fiscal year 2011.

(2)

Except with respect to Mr. Taylor, who had no restricted stock units as of December 27, 2011, each officer's restricted stock units would have become immediately exercisable upon a termination of his or her employment without cause. The amounts shown in this column represent the value of the restricted stock units at the closing price of our common stock on December 27, 2011, which was \$15.13. The number of restricted stock units which would have vested on that date is shown in "Outstanding Equity Awards." None of the Named Executive Officers had unvested stock options as of December 27, 2011.

The following table lists the estimated amounts payable to a Named Executive Officer if his or her employment had been terminated without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control, on December 27, 2011, the last day of our fiscal year, provided that each officer signed a full release of all claims against us.

Table of Contents**Change in Control, Change in Responsibilities Payments Table**

| Name<br>(a)         | Estimated<br>Payments<br>\$(1)<br>(b) | Estimated Value of<br>Newly Vested<br>Stock Awards<br>\$(2)<br>(c) | Total<br>\$(<br>(d) |
|---------------------|---------------------------------------|--|---------------------|
|                     | W. Kent Taylor                        | 505,769  | NA                  |
| Scott M. Colosi     | 707,692                               | 1,103,234  | 1,810,927           |
| Steven L. Ortiz     | 868,846                               | 1,544,516  | 2,413,362           |
| G. Price Cooper, IV | 404,808                               | 151,300  | 556,108             |
| Jill Marchant       | 329,327                               | 17,127   | 346,454             |

(1)

If the employment of any of the officers had been terminated without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control, the officer would have received the amount of his or her then current base salary and incentive bonus through the end of the term of the officer's employment agreement, but not less than one year. Had an officer's employment been so terminated on December 27, 2011, each officer would have continued to receive payment through December 27, 2012.

The table below details the estimated payment for each officer.

| Name<br>(a)         | Salary<br>\$(<br>(b) | Bonus<br>\$(<br>(c) | Total<br>Estimated<br>Payments<br>\$(<br>(d) |
|---------------------|----------------------|---------------------|--|
|                     | W. Kent Taylor       | 305,769             | 200,000                                      |
| Scott M. Colosi     | 407,692              | 300,000             | 707,692                                      |
| Steven L. Ortiz     | 468,846              | 400,000             | 868,846                                      |
| G. Price Cooper, IV | 254,808              | 150,000             | 404,808                                      |
| Jill Marchant       | 229,327              | 100,000             | 329,327                                      |

(2)

Except with respect to Mr. Taylor, who had no restricted stock units as of December 27, 2011, each officer's restricted stock units would have become immediately exercisable upon a termination of his or her employment without cause following a change of control, or if any of the officers had resigned his or her position for good reason following a change of control. The amounts shown in this column represent the value of the restricted stock units at the closing price of our common stock on December 27, 2011, which was \$15.13. The number of restricted stock units which would have vested on that date are shown in "Outstanding Equity Awards." None of the Named Executive Officers had unvested stock options as of December 27, 2011.

**STOCK OWNERSHIP INFORMATION**

The following table sets forth as of February 29, 2012 certain information with respect to the beneficial ownership of the Company's common stock of (i) each executive officer named in the Summary Compensation Table (the "Named Executive Officers"), (ii) each director or nominee for director of the Company, (iii) all directors and current executive officers as a group, and (iv) each

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stockholder other than management stockholders known by the Company to be the owner of 5% or more of the Company's common stock.

| Name   | Common Stock(1)           |              |
|--|---------------------------|--------------|
|  | Common Stock Ownership(2) | Percent      |
| <b>Directors, Nominees and Named Executive Officers:</b>                                       |                           |              |
| W. Kent Taylor(3)(4)   | 6,891,382                 | 9.9%         |
| Scott M. Colosi  | 94,598                    | *            |
| Steven L. Ortiz  | 514,981                   | *            |
| G. Price Cooper, IV  | 6,610                     | *            |
| Jill Marchant  |                           | *            |
| Sheila C. Brown(5)   | 68,048                    | *            |
| Gerard J. Hart(6)  | 154,029                   | *            |
| Martin T. Hart   | 203,253                   | *            |
| Gregory N. Moore   | 72,692                    | *            |
| James F. Parker  | 81,060                    | *            |
| James R. Ramsey  | 71,918                    | *            |
| James R. Zarley  | 70,000                    | *            |
| <b>Directors, Nominees and All Executive Officers as a Group (10 Persons)</b>                  | <b>8,006,494</b>          | <b>11.4%</b> |
| <b>Other 5% Beneficial Owners**</b>  |                           |              |
| Capital Research Global Investors(7)<br>333 South Hope Street<br>Los Angeles, California 90071 | 4,672,200                 | 6.7%         |
| Prudential Financial, Inc.(8)<br>751 Broad Street<br>Newark, New Jersey 07102-3777             | 4,331,890                 | 6.2%         |
| Blackrock, Inc.(9)<br>40 East 52nd Street<br>New York, New York 10022                          | 4,446,339                 | 6.4%         |
| FMR LLC(10)<br>82 Devonshire Street<br>Boston, Massachusetts 02109                             | 8,315,465                 | 12.0%        |
| Steven A. Cohen(11)<br>72 Cummings Point Road<br>Stamford, Connecticut 06902                   | 3,731,850                 | 5.4%         |

\* Represents beneficial ownership of less than 1.0% of the outstanding shares of class.

\*\* This information is based on stock ownership reports on Schedule 13G filed by each of these stockholders with the SEC as of February 29, 2012.

(1) Based upon information furnished to the Company by the named persons and information contained in filings with the SEC. Under the rules of the SEC, a person is deemed to beneficially own shares over which the person has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days, and such shares are deemed to be outstanding for the purpose of computing the percentage beneficially owned by such person or group. However, we do not consider shares of which beneficial ownership can be acquired within 60 days to be outstanding when we calculate



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the percentage ownership of any other person. "Common Stock Ownership" includes (a) stock held in joint tenancy, (b) stock owned as tenants in common, (c) stock owned or held by spouse or other members of the reporting person's household and (d) stock in which the reporting person either has or shares voting and/or investment power, even though the reporting person disclaims any beneficial interest in such stock.

- (2) The following table lists the shares to which each named person has the right to acquire beneficial ownership within 60 days of February 29, 2012 through the exercise of stock options or the vesting of restricted stock units granted pursuant to our equity incentive plan; these shares are included in the totals above as described in footnote (1):

| Name  | Shares which<br>may be acquired<br>within 60 days<br>pursuant to<br>stock awards |
|---|--|
| W. Kent Taylor  |  |
| Scott M. Colosi   |  |
| Steven L. Ortiz   | 320,562  |
| G. Price Cooper, IV   |  |
| Jill Marchant   |  |
| Sheila C. Brown(i)  |  |
| Gerard J. Hart(ii)  |  |
| Martin T. Hart  | 40,000   |
| Gregory N. Moore  | 40,000   |
| James F. Parker   | 40,000   |
| James R. Ramsey   |  |
| James R. Zarley   | 40,000   |
| <b>Directors, Nominees and All Executive Officers as a Group (10 Persons)</b> | <b>480,562</b>   |

- (i) Ms. Brown resigned her executive officer position effective as of the close of business on November 30, 2011, but remained employed under her employment agreement until her planned retirement at close of business on January 7, 2012.
- (ii) Mr. Hart resigned his executive officer position on August 16, 2011.
- (3) Mr. Taylor's address is c/o Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.
- (4) 100,000 shares are pledged to a bank.
- (5) Ms. Brown resigned her position effective as of the close of business on November 30, 2011. The stock ownership information listed above is as of February 29, 2012, based on company stock records.
- (6) Mr. Hart resigned his position on August 17, 2011. The stock ownership information listed above is as of February 29, 2012, based on company stock records.
- (7) As reported on the Schedule 13G/A filed by Capital Research Group Investors with the SEC on February 8, 2012, it has sole voting and dispositive power with respect to these shares.
- (8) As reported on the Schedule 13G/A filed by Prudential Financial, Inc. with the SEC on February 8, 2011, it has sole voting and dispositive power with respect to 434,625 shares, shared voting power with respect to 1,871,826 shares, and shared dispositive power with



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respect to 3,897,265 shares. Prudential Financial, Inc. indirectly owns 100% of the equity interests of Jennison Associates LLC, which filed a Schedule 13G/A with the SEC on February 10, 2012. Jennison Associates LLC does not file jointly with Prudential Financial, Inc., and as such, shares included in the Schedule 13G/A filed by Jennison Associates LLC may also be included in the shares reported on the Schedule 13G/A filed by Prudential Financial, Inc. Jennison Associates LLC has sole voting power with respect to 1,992,798 shares and shared dispositive power with respect to 2,052,351 shares.

- (9) As reported on the Schedule 13G/A filed by Blackrock, Inc. with the SEC on February 13, 2012, it has sole voting and dispositive power with respect to these shares.
- (10) As reported on the Schedule 13G/A filed by FMR LLC with the SEC on February 13, 2012, it has sole voting and dispositive power with respect to these shares.
- (11) As reported on the Schedule 13G filed by Steven A. Cohen with the SEC on February 13, 2012, he shares voting and dispositive power with respect to 3,731,850 shares, in whole or in part, with S.A.C. Capital Advisors, L.P., a Delaware limited partnership (1,831,850 shares), S.A.C. Capital Advisors, Inc., a Delaware corporation (1,831,850 shares), and Sigma Capital Management, LLC, a Delaware limited liability company (1,900,000 shares). S.A.C. Capital Advisors, L.P. and S.A.C. Capital Advisors, Inc. share Mr. Cohen's business address at 72 Cummings Point Road, Stamford, Connecticut 06902. Sigma Capital Management, LLC's business address is 540 Madison Avenue, New York, New York 10022.

**STOCKHOLDER PROPOSALS**

Under Rule 14a-8 promulgated under the Securities Exchange Act of 1934 ("Exchange Act"), stockholders may present proposals to be included in the Company proxy statement for consideration at the next annual meeting of its stockholders by submitting their proposals to the Company in a timely manner. Any such proposal must comply with Rule 14a-8.

The Company's by-laws, a copy of which is available on the Company's website, [www.texasroadhouse.com](http://www.texasroadhouse.com), require stockholders who intend to propose business for consideration by stockholders at the 2012 Annual Meeting, other than stockholder proposals that are included in the proxy statement, to deliver written notice to the principal executive offices of the Company on or before December 7, 2012. This notice must include a description of the business desired to be brought before the annual meeting, the name and address of the stockholder proposing such business and of the beneficial owner, if any, on whose behalf the business is being brought, the class, series and number of shares of the Company which are beneficially owned by the stockholder and such other beneficial owner and any material interest of the stockholder and such other beneficial owner in such business. Similar requirements are set forth in the Company's by-laws with respect to stockholders desiring to nominate candidates for election as director. Exchange Act rules permit management to vote proxies in its discretion in certain cases if the stockholder does not comply with these deadlines, and in certain other cases notwithstanding the stockholder's compliance with these deadlines. If a stockholder submitting a matter to be raised at the Company's next annual meeting or a candidate for election as director desires that such matter or candidate be included in the Company's proxy statement, such matter or candidate must be submitted to the Company no later than December 6, 2012.

The rules of the SEC set forth standards for what stockholder proposals the Company is required to include in a proxy statement for an annual meeting.

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**STOCKHOLDERS' COMMUNICATIONS WITH THE BOARD**

Stockholders that want to communicate in writing with the Board, or specified directors individually, may send proposed communications to the Company's Corporate Secretary, Celia Catlett, at 6040 Dutchmans Lane, Louisville, Kentucky 40205. The proposed communication will be reviewed by the audit committee and the General Counsel. If the communication is appropriate and serves to advance or improve the Company or its performance, contains no objectionable material or language, is not unreasonable in length, and is directly applicable to the business of the Company, it is expected that the communication will receive favorable consideration for presentation to the Board or appropriate director(s).

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of stock ownership and reports of changes in stock ownership and to provide the Company with copies of all such filed forms. Based solely on its review of such copies or written representations from reporting persons, the Company believes that all reports were filed on a timely basis during the fiscal year ended December 27, 2011, with the exception of the following: (1) a grant of restricted stock units to each of Gerard J. Hart, Steven L. Ortiz, Scott M. Colosi and Sheila C. Brown on January 8, 2011, which should have been reported on the Forms 4 for each officer dated January 11, 2011 but were subsequently reported on Forms 4/A dated January 18, 2011, (2) a sale of stock by W. Kent Taylor in which the amount sold was mistakenly over-reported in a Form 4 dated May 16, 2011 and subsequently corrected on a Form 4/A dated May 17, 2011, (3) a grant of restricted stock units to Jill Marchant, which should have been reported on her initial Form 3 dated December 9, 2011 but was later reported on a Form 3/A dated December 20, 2011, each of which constituted a late filing, and (4) a Form 5 for Gregory N. Moore, which should have been filed on or prior to February 10, 2012, but which was actually filed on February 14, 2012.

**FORM 10-K**

The Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2011, accompanies this proxy statement. The Company's Annual Report does not form any part of the material for solicitation of proxies.

**Any stockholder who wishes to obtain, without charge, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2011, which includes financial statements, and is required to be filed with the SEC, may access it at [www.texasroadhouse.com](http://www.texasroadhouse.com) in the Investors section or may send a written request to Celia Catlett, Corporate Secretary, Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.**

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**OTHER BUSINESS**

The Board is not aware of any other matters to be presented at the Annual Meeting other than those set forth herein and routine matters incident to the conduct of the meeting. If any other matters should properly come before the Annual Meeting or any adjournment or postponement thereof, the persons named in the proxy, or their substitutes, intend to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,

Celia Catlett  
*Corporate Secretary*

Louisville, Kentucky  
April 6, 2012

*Please vote your shares through any of the methods described on the proxy card as promptly as possible, whether or not you plan to attend the Annual Meeting in person. If you do attend the Annual Meeting, you may still vote in person, since the proxy may be revoked at any time before its exercise by delivering a written revocation of the proxy to the Company's Corporate Secretary.*























