

Texas Roadhouse, Inc.  
Form DEF 14A  
April 06, 2018

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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
- Soliciting Material under §240.14a-12

**Texas Roadhouse, Inc.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

### Table of Contents

April 6, 2018

To our Shareholders:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders of Texas Roadhouse, Inc. on Thursday, May 17, 2018. The meeting will be held at the Texas Roadhouse Support Center located at 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 shareholder 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. Shareholders 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*

---

Table of Contents

**TEXAS ROADHOUSE, INC.**  
**6040 Dutchmans Lane**  
**Louisville, Kentucky 40205**

**NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD MAY 17, 2018**

To the Shareholders:

The 2018 Annual Meeting of Shareholders (the "Annual Meeting") of Texas Roadhouse, Inc. (the "Company") will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 17, 2018 at 9:00 a.m. eastern daylight time.

At the Annual Meeting, you will be asked to:

elect two directors to the Board of Directors, each for a term of one year;

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 shareholders of record at the close of business on March 19, 2018 are entitled to receive notice of and to vote at the meeting.

By Order of the Board of Directors,

Celia Catlett  
*General Counsel and Corporate Secretary*

Louisville, Kentucky  
April 6, 2018

**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 2018 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 17, 2018: Our Proxy Statement related to our 2018 Annual Meeting of Shareholders, our Annual Report on Form 10-K for the fiscal year ended on December 26, 2017 and our Annual Report to Shareholders for the fiscal year ended on December 26, 2017 are available on our website at [www.texasroadhouse.com](http://www.texasroadhouse.com) in the Investors section.**

---

Table of Contents**Table of Contents**

<b><u>SUMMARY OF MATTERS REQUIRING SHAREHOLDER ACTION</u></b>	<u>1</u>
<u>Proposal 1 Election of Directors</u>	<u>1</u>
<u>Proposal 2 Ratification of Independent Auditors</u>	<u>1</u>
<u>Proposal 3 Advisory Vote on Approval of Executive Compensation</u>	<u>1</u>
<u>Other Matters</u>	<u>2</u>
<b><u>INFORMATION ABOUT PROXIES AND VOTING</u></b>	<u>3</u>
<u>Record Date and Voting Securities</u>	<u>3</u>
<u>Revocability of Proxies</u>	<u>3</u>
<u>Solicitation of Proxies</u>	<u>3</u>
<u>Other Voting Considerations</u>	<u>3</u>
<b><u>CORPORATE GOVERNANCE AND OUR BOARD</u></b>	<u>5</u>
<u>Director Biographies</u>	<u>5</u>
<u>Board Declassification</u>	<u>6</u>
<u>Meetings of the Board</u>	<u>6</u>
<u>Leadership Structure of the Board and the Role of the Board in Risk Oversight</u>	<u>7</u>
<u>Committees of the Board</u>	<u>8</u>
<u>Policy Regarding Consideration of Candidates for Director</u>	<u>9</u>
<u>Compensation of Directors</u>	<u>9</u>
<u>Code of Conduct</u>	<u>11</u>
<u>Stock Ownership Guidelines</u>	<u>11</u>
<b><u>STOCK OWNERSHIP INFORMATION</u></b>	<u>12</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>13</u>
<b><u>EXECUTIVE COMPENSATION</u></b>	<u>14</u>
<u>Compensation Discussion and Analysis</u>	<u>14</u>
<u>Summary Compensation Table</u>	<u>24</u>
<u>Grants of Plan-Based Awards in Fiscal Year 2017</u>	<u>27</u>
<u>Outstanding Equity Awards</u>	<u>28</u>
<u>Options Exercised and Stock Vested</u>	<u>29</u>
<u>Termination, Change of Control and Change of Responsibility Payments</u>	<u>29</u>
<b><u>AUDIT COMMITTEE REPORT</u></b>	<u>32</u>
<u>Related Party Transactions</u>	<u>33</u>
<b><u>PRESENTATION OF PROPOSALS</u></b>	<u>36</u>
<u>Proposal 1 Election of Directors</u>	<u>36</u>
<u>Proposal 2 Ratification of Independent Auditors</u>	<u>37</u>
<u>Proposal 3 Advisory Vote on Approval of Executive Compensation</u>	<u>39</u>
<b><u>SHAREHOLDER PROPOSALS</u></b>	<u>41</u>
<b><u>SHAREHOLDERS' COMMUNICATIONS WITH THE BOARD</u></b>	<u>41</u>
<b><u>FORM 10-K</u></b>	<u>41</u>
<b><u>OTHER BUSINESS</u></b>	<u>41</u>

---

Table of Contents

**TEXAS ROADHOUSE, INC.**  
**6040 Dutchmans Lane**  
**Louisville, Kentucky 40205**

**PROXY STATEMENT**

**2018 ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD MAY 17, 2018**

---

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 2018 Annual Meeting of Shareholders (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 shareholders on or about April 6, 2018.

The Annual Meeting will be held at the Texas Roadhouse Support Center located at 6040 Dutchmans Lane, Louisville, Kentucky on Thursday, May 17, 2018 at 9:00 a.m. eastern daylight time, for the purposes set forth in this proxy statement and the accompanying notice of Annual Meeting.

**SUMMARY OF MATTERS REQUIRING SHAREHOLDER ACTION**

**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 the available slot is elected for that slot. You may vote "FOR" each nominee or you may "WITHHOLD AUTHORITY" to vote for each nominee. Unless you "WITHHOLD AUTHORITY" to vote for a nominee, your proxy will be voted "FOR" the election of the individuals nominated as 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" the nominees.*

**Proposal 2 Ratification of Independent Auditors**

The proposal to ratify the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 25, 2018 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.



Table of Contents

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 shareholders, 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 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.



Table of Contents

**INFORMATION ABOUT PROXIES AND VOTING**

**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 19, 2018. Only shareholders 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 71,412,469 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 shareholders, unless revoked as described below.

**Revocability of Proxies**

A shareholder 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 shareholder 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. Shareholders 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. 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.

**Other Voting Considerations**

*Broker Non-Votes*

Under rules of the New York Stock Exchange, matters subject to shareholder 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

Table of Contents

this matter is routine and brokers may vote as stated above, the number of votes cast, plus the number of abstentions, on 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 Proposal 3.

*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.

Table of Contents

**CORPORATE GOVERNANCE AND OUR BOARD**

**Director Biographies**

Gregory N. Moore. Mr. Moore, 68, served as the Senior Vice President and Controller of Yum! Brands, Inc. until he retired in 2005. 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, New York 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 audit committee. Mr. Moore also serves on the board of EF&TRH Restaurants (HK) Holding Limited, a Texas Roadhouse, Inc. joint venture in China. Mr. Moore has served as a director since 2005 and 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.

James F. Parker. Mr. Parker, 71, 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 shareholder 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. and the board of directors of two wholly owned subsidiaries of Sammons Enterprises, Inc., Midland Life Insurance Company and North American Company for Life and Health Insurance, all private companies. Mr. Parker also serves as the chairman of the compensation committee for Sammons Enterprises, Inc. and on the audit committees for Sammons Enterprises, Inc., Midland Life Insurance Company and North American Company for Life and Health Insurance. Mr. Parker has served as a director since 2004 and 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 Texas Roadhouse. 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.

W. Kent Taylor. Mr. Taylor, 62, is our founder, Chairman, 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 of Papa John's International, Inc. in May 2011. Mr. Taylor has served as a director since 2004 and 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.

Kathleen M. Widmer. Ms. Widmer, 56, is the President of the Johnson & Johnson Consumer OTC division, which provides healthcare solutions through well-known and trusted over the counter medicines and products, a position she has held since August 2015. She was previously with Johnson & Johnson for 21 years, until 2009, where she held numerous positions, including serving as Vice President, Marketing, McNeil Consumer Healthcare. Prior to re-joining Johnson & Johnson, she served as Executive Vice President and Chief Marketing Officer at Elizabeth Arden, Inc. from 2009 to 2015, and was responsible for the global growth strategy and marketing execution of the Elizabeth Arden Brand as well as the

Table of Contents

company's extensive portfolio of fragrances. In 2017, she was appointed to the board of directors for the Wounded Warrior Project. She is a graduate of the U.S. Military Academy in West Point, N.Y. and served for five years as a U.S. Army officer. She held positions of increasing responsibility in the Field Artillery, reaching the rank of Captain and Battery Commander of a 400-soldier training unit in Fort Sill, Oklahoma. Ms. Widmer has served as a director since 2013 and was nominated as a director because of her extensive marketing experience in the retail sector and her knowledge of the global retail industry. As a result of these and other professional experiences, Ms. Widmer possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills and experience.

James R. Zarley. Mr. Zarley, 73, has served as chairman, chief executive officer and chairman of the board of Conversant, a single-source provider of media, technology and services across major interactive marketing channels which previously operated under the name ValueClick, Inc., and was a member of Conversant's board of directors from 1999 until his retirement in 2014. Mr. Zarley shaped the company into a global leader in online marketing solutions. Prior to joining Conversant, 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. Currently, he serves on the board of directors of several private companies. Mr. Zarley has served as a director since 2004 and is being 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.

**Board Declassification**

Historically, the Board was divided into three separate classes of directors. After careful consideration and review of past votes of our shareholders on Board declassification in prior years, together with prior communications with our investors and shareholders, the Board determined that a shareholder proposal to eliminate the classification of the Board was in the best interest of the Company and its shareholders and elected to recommend that the shareholders of the Company vote to declassify the Board beginning at the 2017 annual meeting. Following receipt of the majority of votes at the 2016 annual meeting to declassify the Board, the Company memorialized the declassification of the Board in the Amendment to Amended and Restated Articles of Incorporation for the Company dated May 19, 2016. Each director will continue to serve for the remainder of their respective term until the 2019 annual meeting at which all of the directors will be eligible for re-election for one-year terms. Messrs. Taylor and Zarley are currently nominated for re-election for a term of one year. The term for each of Messrs. Moore and Parker and Ms. Widmer is scheduled to expire at the 2019 annual meeting.

**Meetings of the Board**

The Board met on six occasions and its standing committees (audit committee, compensation committee, and nominating and corporate governance committee) met on 24 occasions during our fiscal year ended December 26, 2017. 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 or her period of service. In addition, the Company expects all members of the Board to attend the Annual Meeting. All incumbent directors attended the 2017 annual meeting. Four regular Board meetings are currently scheduled for the fiscal year 2018. Executive sessions of non-employee directors, without management directors or employees present, are typically scheduled in conjunction with each regularly scheduled Board meeting. The role of each standing committee is more fully discussed below.

Table of Contents

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

The Board currently includes four 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 shareholders are best served by having Mr. Taylor serve in both positions because he is the person most familiar with our unique culture, 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 shareholder value if our Chairman is also a member of the management team.

While the Board considers all of its members equally responsible and accountable for oversight and guidance of its activities, they also have designated a Lead Independent director, who is elected annually by a majority of the Board. Mr. Moore currently serves as the Lead Independent director. The responsibility and authority of the independent Lead Director are delineated in our Corporate Governance Guidelines, which can be found on the Company's website at [www.texasroadhouse.com](http://www.texasroadhouse.com).

The Board is responsible for overseeing the Company's risk management strategies, including the Company's implementation of 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 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 audit and compensation committees.

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 matters which have been identified by management. The Company's internal auditors regularly report 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, a risk committee comprised of Company management regularly updates the audit committee on the results of its risk management activities, which are based on the Company's prioritized risk overview that is updated at least annually and reviewed with the audit committee. The audit committee is routinely advised of operational, financial, legal, and cybersecurity risks both during and outside of regularly scheduled meetings, and the audit 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 audit committee and the compensation committee jointly perform an annual risk assessment of our compensation programs for all employees to determine whether these programs encourage unnecessary or excessive risk taking. In conducting this review, each of our compensation programs is evaluated on a number of criteria aimed at identifying any incentive programs that deviate from our risk

Table of Contents

management objectives. Based on this review in 2017, both the audit committee and the compensation committee concluded that we have the right combination of rewards and incentives to drive company performance, without encouraging unnecessary or excessive risk taking by our employees. Specifically, the audit and compensation committees identified the following components of our compensation programs that mitigate the likelihood of excessive risk taking to meet performance targets: equity incentive compensation in the form of restricted stock units; long term contracts and a financial buy-in requirement for restaurant management; a guaranteed base salary within our support center management personnel; minimums and maximums on profit sharing compensation within our support center management personnel; robust internal controls; operational focus on top line sales growth; and, a business model which focuses on a strong balance sheet, relatively low debt, prudent growth, and sustainable long-term profitability.

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, allow the Board to effectively administer risk management policies while also effectively and efficiently addressing Company objectives.

**Committees of the Board**

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, nor considered to be a part of, this proxy statement. The Board has also designated one of its members as an international liaison, responsible for overseeing the Company's efforts in international expansion and reporting to the Board on those efforts.

*Audit Committee.* As described in its charter, the primary purpose of the audit committee is to assist our Board in fulfilling its oversight responsibility relating to: (i) the integrity of the Company's consolidated 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 directly responsible for the following: (a) pre-approving all audit and permitted non-audit services provided by our independent auditors, (b) the appointment, compensation, retention and oversight of the Company's independent auditors, and (c) periodically evaluating whether or not the Company should rotate the independent auditors utilized by the Company. 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, respectively, 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 Zarley. Mr. Moore chairs the audit committee. The Board evaluated the credentials of and designated Mr. Moore as an audit committee financial expert. The audit committee met 15 times during fiscal year 2017.

*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 executive officers and directors, and (iii) reviews the performance of the Company's executive officers. The compensation committee is also responsible for reviewing and discussing with management the "Compensation Discussion and Analysis"

Table of Contents

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 current members of the compensation committee are Ms. Widmer and Messrs. Moore, Parker, and Zarley. Mr. Parker chairs the compensation committee. The compensation committee met six times during fiscal year 2017.

*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, (iii) developing and recommending to the Board a set of corporate governance principles, and (iv) overseeing the evaluation of the Board, its committees, and its incumbent members. The nominating and corporate governance 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 current members of the nominating and corporate governance committee are Ms. Widmer and Messrs. Moore, Parker, and Zarley. Mr. Moore chairs the nominating and corporate governance committee. The nominating and corporate governance committee met three times during fiscal year 2017.

**Policy Regarding Consideration of Candidates for Director**

Shareholder recommendations for Board membership should include, among other items, the name of the candidate, age, contact information, present principal occupation or employment, qualifications and skills, background, last five years' 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 shareholder 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 shareholders. The Board has adopted corporate governance guidelines which provide that, if and when the Board determines that it is necessary or desirable to add or replace a director, the nominating and corporate governance committee will seek diverse candidates, taking into account diversity in all respects (including gender, race, age, board service, background, education, skill set, and financial acumen, along with knowledge and experience in areas that are relevant to the Company's business), when forming the nominee pool. The nominating and corporate governance committee has reviewed the process used in the selection of director candidates and concluded that the pool contained a diverse group of candidates. 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 shareholder of the Company.

The Company currently retains a corporate recruiter to assist in identifying candidates for open positions at the Company. Upon request, this recruiter also assists in identifying and evaluating candidates for director, but the Company does not pay an additional fee for this service.

**Compensation of Directors**

As further discussed in the "Compensation Discussion and Analysis," the compensation committee engaged Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on executive and non-employee director compensation. Specifically, the compensation

Table of Contents

committee asked the compensation consultant to provide market data, review the design of the executive and non-employee director compensation packages, and provide recommendations on cash and equity compensation for our executive officers and non-employee directors. As described more fully below, the following table summarizes the total compensation earned for fiscal year 2017 for each of the non-employee directors.

**2017 Director Compensation Table**

Name	Fees Earned or Paid in Cash (\$)	Grant Date Fair Value of Stock Awards \$(1)	Total (\$)
Gregory N. Moore	97,000(2)		97,000
James F. Parker	48,000(3)		48,000
James R. Ramsey	13,750(4)		13,750
Kathleen M. Widmer	31,000		31,000
James R. Zarley	38,000		38,000

- (1) No stock grants or option awards were made during the period covered by this table. In November 2016, the compensation committee expressly clarified its intent that no additional stock compensation will be granted for services rendered by the non-employee directors during the three year period from 2015 through 2017. Further, in January 2018, the compensation committee agreed that beginning with the 2018 fiscal year, the total compensation for any non-employee director may not exceed \$500,000, which amount shall be calculated by adding (i) the total cash compensation to be paid for services rendered by a non-employee director in any given fiscal year to (ii) the grant date value of any restricted stock units granted to such non-employee director in that fiscal year.
- (2) This amount includes a \$20,000 annual fee for serving as the Lead Independent director, a \$20,000 annual fee for serving as the chairperson of the audit committee, and a \$15,000 annual fee for serving as the international liaison.
- (3) This amount includes a \$10,000 annual fee for serving as the chairperson of the compensation committee.
- (4) On May 2, 2017, James R. Ramsey, an independent director, notified the Company of his decision to withdraw his name from nomination for re-election as a director at the Company's 2017 annual meeting. This amount reflects amounts earned by Mr. Ramsey for his partial 2017 fiscal year service.

Non-employee directors each received a fee of \$12,500 for their 2017 fiscal year service. In addition and for their 2017 fiscal year service, the Lead Independent director received a fee of \$20,000, the chairperson of the audit committee received a fee of \$20,000, the chairperson of the compensation committee received a fee of \$10,000, and the international liaison received a fee of \$15,000. Each non-employee director received \$2,000 for each Board meeting he or she attended in person and \$500 for each Board meeting he or she participated in telephonically. Additionally, each non-employee director received \$1,000 for each committee meeting he or she attended in person and \$500 for each committee meeting he or she participated in telephonically.

In January 2015, the non-employee directors were each granted 25,500 restricted stock units, which vest in one-third increments of 8,500 restricted stock units each year over three years, subject to the non-employee director's continued service on the Board. Similar to our compensation philosophy for our Named Executive Officers, we believe that issuing these restricted stock units to our non-employee directors aligns their interests with those of our shareholders. Specifically, since the bulk of each non-employee director's compensation lies in the value of the restricted stock units granted, the non-employee directors are motivated to continually improve the Company's performance in the hope



Table of Contents

that the performance will be reflected by the stock price on the vesting date of their restricted stock units. Moreover, because the restricted stock unit awards for our non-employee directors vest over a period of time and their value varies in response to investor sentiment regarding overall Company performance at the time of vesting, we believe that these restricted stock unit awards drive director alignment with maximizing shareholder value.

**Code of Conduct**

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

**Stock Ownership Guidelines**

Our Board has adopted stock ownership guidelines to further align the financial interests of the Company's executive officers and non-employee directors with the interests of our shareholders. The guidelines provide that our Chief Executive Officer should own, at a minimum, the lesser of 100,000 shares or \$2,500,000 in then-current market value, our President should own, at a minimum, the lesser of 40,000 shares or \$1,000,000 in then-current market value, and our other named executive officers and non-employee directors should own, at a minimum, the lesser of 10,000 shares or \$500,000 in then-current market value. The officers and directors are expected to achieve the stock ownership levels under these guidelines within five years of assuming their respective positions.

All named executive officers and non-employee directors who have been in their role for five years are in compliance with the guidelines. We anticipate that any people who are new to their roles within the last five years will, to the extent they are not currently in compliance, be in compliance with the guidelines within the required time frame.

Table of Contents**STOCK OWNERSHIP INFORMATION**

The following table sets forth as of March 1, 2018 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 non-employee director or nominee for director of the Company, (iii) all non-employee directors, nominees and current Named Executive Officers as a group, and (iv) each shareholder 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)	3,779,473	5.29%
Scott M. Colosi	63,202	*
Celia P. Catlett	12,429	*
S. Chris Jacobsen	16,533	*
Gregory N. Moore	87,650	*
James F. Parker	92,060	*
Kathleen M. Widmer	18,950	*
James R. Zarley	136,300	*
<b>Directors, Nominees and All Named Executive Officers as a Group (8 Persons)</b>	<b>4,206,597</b>	<b>5.89%</b>
<b>Other 5% Beneficial Owners**</b>		
Capital Research Global Investors(4) 333 South Hope Street Los Angeles, California 90071	5,439,698	7.6%
Blackrock, Inc.(5) 55 East 52nd Street New York, New York 10022	7,530,702	10.6%
The Vanguard Group(6) 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,376,002	7.56%

\* 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 shareholders with the SEC as of March 1, 2018.

(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 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 March 1, 2018 through the vesting of restricted stock units granted

Table of Contents

pursuant to our long-term incentive plan; these shares are included in the totals above as described in footnote(1):

Name	Shares which may be acquired within 60 days pursuant to stock awards
W. Kent Taylor	
Scott M. Colosi	
Celia P. Catlett	
S. Chris Jacobsen	
Gregory N. Moore	
James F. Parker	
Kathleen M. Widmer	
James R. Zarley	
<b>Directors, Nominees and All Named Executive Officers as a Group (8 Persons)</b>	

- (3) Mr. Taylor's address is c/o Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.
- (4) As reported on the Schedule 13G/A filed by Capital Research Group Investors with the SEC on February 14, 2018, it has sole voting and dispositive power with respect to these shares.
- (5) As reported on the Schedule 13G/A filed by Blackrock, Inc. with the SEC on February 9, 2018, it has sole voting power with respect to 7,341,960 shares and sole dispositive power with respect to 7,530,702 shares.
- (6) As reported on the Schedule 13G/A filed by The Vanguard Group with the SEC on February 12, 2018, it has sole voting power with respect to 129,491 shares, sole dispositive power with respect to 5,243,560 shares, and shared dispositive power with respect to 132,442 shares.

**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 26, 2017.

Table of Contents

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

The Company's compensation committee reviews and establishes executive compensation in connection with each Named Executive Officer's employment agreement.

We entered into new employment agreements (individually, the "2018 Employment Agreement", and collectively, the "2018 Employment Agreements") with W. Kent Taylor, Scott M. Colosi, Celia P. Catlett, and S. Chris Jacobsen, each a Named Executive Officer, on December 26, 2017, each of which has an effective date of January 8, 2018 and expires on January 7, 2021. During fiscal year 2017, each of Messrs. Taylor and Colosi and Ms. Catlett were party to employment agreements dated January 8, 2015, each of which expired on January 7, 2018 (individually, the "2015 Employment Agreement", and collectively, the "2015 Employment Agreements"), and Mr. Jacobsen was a party to an employment agreement dated February 11, 2016, which expires on January 7, 2019 (the "2016 Employment Agreement"). Notwithstanding the initial terms and conditions of the 2016 Employment Agreement, the 2018 Employment Agreement for Mr. Jacobsen supersedes and replaces his 2016 Employment Agreement effective as of January 8, 2018. As used herein, the 2015 Employment Agreements and the 2016 Employment Agreement shall be referred to collectively as the "Prior Employment Agreements" and with respect to any Named Executive Officer, as a "Prior Employment Agreement".

To assist in setting compensation under the 2018 Employment Agreements and pursuant to the authority granted under its charter, the compensation committee engaged Towers Watson as an independent compensation consultant in 2017 to advise the compensation committee on executive and director compensation, together with analysis and services related to such executive and director compensation. Specifically, the compensation committee asked the consultant to provide market data, review the design of the executive and director compensation packages, and provide recommendations on cash and equity compensation for our executive officers and directors. Towers Watson does not currently provide any other services to the Company, and the compensation committee has determined that Towers Watson has sufficient independence from us and our executive officers to allow it to offer objective information and advice. All fees paid to Towers Watson during fiscal year 2017 were in connection with their engagement by the compensation committee for the above services.

Similar to the Prior Employment Agreements, each 2018 Employment Agreement establishes a base salary throughout the term of the agreement, and a cash incentive bonus amount based on the achievement of defined goals to be established by the compensation committee. Unlike the Prior Employment Agreements which granted restricted stock units over a three year period, each 2018 Employment Agreement for Ms. Catlett and Messrs. Colosi and Taylor provides for an annual grant of restricted stock units, which grants the officers the conditional right to receive shares of our common stock upon vesting; however, the grants to our Chief Executive Officer and our President are bifurcated into grants which vest over a period of service and grants which are based on the achievement of defined goals to be established by the compensation committee. Because Mr. Jacobsen's 2016 Employment Agreement included a grant of restricted stock units relating to his 2018 service, his 2018 Employment Agreement does not include an initial grant of restricted stock units. In addition, each of Mr. Jacobsen's and Ms. Catlett's 2018 Employment Agreements provides for a "retention" grant of restricted stock units, which vest upon completion of the term of the agreement on the condition that the officer is still serving the Company on the vesting date. Mr. Taylor's 2018 Employment Agreement also provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date. Moreover, 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. Finally, the

Table of Contents

2018 Employment Agreements also 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 compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock. The underlying philosophy reflected by this approach is that, because a significant amount of each officer's compensation lies in the value of the restricted stock units granted, the officers are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units and beyond. In addition, by conditioning a significant portion of our Chief Executive Officer's and our President's restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our executive officers more particularly described above, we have created a more direct relationship between the compensation of our top executives and shareholder value, while also achieving what we believe is the right combination of rewards and incentives to drive company performance without encouraging unnecessary or excessive risk taking. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our executive officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total 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 shareholders.

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.

In deciding to continue and modify many of our existing executive compensation practices, our compensation committee considered that the holders of over 83% of the votes cast at our 2017 annual meeting on an advisory basis approved the compensation of our Named Executive Officers as disclosed in the proxy statement for the 2017 annual meeting. While the compensation committee consulted with each of the Named Executive Officers in advance of the final approval of the 2018 Employment Agreements, none of the Named Executive Officers, including Mr. Taylor, participated in the creation of their own compensation packages.

*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.

## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

### Table of Contents

Each officer's Prior Employment Agreement established an annual salary for the years shown in the table below.

	<b>2015</b> <b>(through</b> <b>January 7, 2016)</b> <b>(\$)</b>	<b>2016</b> <b>(through</b> <b>January 7, 2017)</b> <b>(\$)</b>	<b>2017</b> <b>(through</b> <b>January 7, 2018)</b> <b>(\$)</b>
W. Kent Taylor Chairman, Chief Executive Officer	525,000	525,000	525,000
Scott M. Colosi President, Chief Financial Officer	450,000	450,000	450,000
Celia P. Catlett General Counsel, Corporate Secretary	250,000	275,000	300,000
S. Chris Jacobsen Chief Marketing Officer		300,000	300,000

Each officer's 2018 Employment Agreement establishes an annual salary for the years shown in the table below.

	<b>2018</b> <b>(through</b> <b>January 7, 2019)</b> <b>(\$)</b>	<b>2019</b> <b>(through</b> <b>January 7, 2020)</b> <b>(\$)</b>	<b>2020</b> <b>(through</b> <b>January 7, 2021)</b> <b>(\$)</b>
W. Kent Taylor Chairman, Chief Executive Officer	525,000	525,000	525,000
Scott M. Colosi President, Chief Financial Officer	450,000	450,000	450,000
Celia P. Catlett General Counsel, Corporate Secretary	315,000	315,000	325,000
S. Chris Jacobsen Chief Marketing Officer	300,000	315,000	325,000

### 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 overall pre-tax profit, 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.

Pursuant to the terms of the Texas Roadhouse, Inc. Cash Bonus Plan (the "Cash Bonus Plan"), the compensation committee may award an annual cash incentive to the Named Executive Officers, which is the grant of a right to receive a payment of cash that is subject to targets and maximums, and that is contingent on achievement of performance objectives during the Company's fiscal year. These cash incentives are also subject to the terms and conditions of the Prior Employment Agreements and the 2018 Employment Agreements.

Under the Cash Bonus Plan, the compensation committee established a two-pronged approach to tying the incentive compensation to the Company's performance. Under this approach, 50% of the target incentive bonus is awarded based on whether the Company achieves an annual EPS growth target of 10% (the "EPS Performance Goal"). The other 50% is based on a profit sharing pool (the "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 consolidated financial statements), which pool is distributed among our Named Executive Officers and certain other members of the Company's director-level management based on a pre-determined percentage interest in the pool and subject to certain pre-determined maximum amounts. After the end of the fiscal year, the

Table of Contents

compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each officer is entitled. Depending on the level of achievement of the EPS Performance Goal each year, 50% of the incentive bonus may be reduced to a minimum of \$0 or increased to a maximum of two times the target amount. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target bonus amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the bonus payable would be 110% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the bonus payable would be 90% of the portion of the target bonus attributable to the achievement of the EPS Performance Goal. The remaining 50% of the officers' incentive bonus will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year and while the pre-tax profits are not yet determined. The annual profit sharing component allows the Named Executive Officers to participate in a profit sharing pool with other members of the Company's director-level management team. By allowing this level of participation in the Company's overall profits, the compensation committee encourages responsible growth and aligns the interests of the officers with those of other management employees of the Company. This portion of the incentive bonus may be reduced to a minimum of \$0 if the Company ceases to be profitable or for other reasons that the compensation committee determines, and may be increased to a maximum of two times the target amount established for each individual participant. Both portions of the incentive bonus can be adjusted downward (but not upward) by the compensation committee in its discretion. Cash incentive bonuses with respect to fiscal year 2017 were paid at 135.3% of the total target amount, based on actual EPS growth of 13.0% and a pre-tax profit (Profit Sharing Pool) of \$180,106,845 during fiscal year 2017.

The actual amounts earned by each Named Executive Officer for fiscal year 2017 are more fully described in "Executive Compensation." The target bonus amount, along with the minimum and maximum bonus amounts, are set forth below:

**Executive Incentive Compensation for the Fiscal Year 2017**

	<b>Target Bonus</b>	<b>Minimum Bonus</b>	<b>Maximum Bonus</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
W. Kent Taylor Chairman, Chief Executive Officer	525,000	0	1,050,000
Scott M. Colosi President, Chief Financial Officer	350,000	0	700,000
Celia P. Catlett General Counsel, Corporate Secretary	125,000	0	250,000
S. Chris Jacobsen Chief Marketing Officer	175,000	0	350,000

Stock Awards

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. Restricted stock units offer the Named Executive Officers a financial interest in the Company and align their interests with those of our shareholders. We also believe that the market price of our publicly traded common stock represents the most appropriate metric for determining the value of the equity portion of our Named Executive Officers' compensation packages. The overall compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent

Table of Contents

upon the performance of the Company and the price of our common stock. The underlying philosophy reflected by this approach is that, because a significant amount of each officer's compensation lies in the value of the restricted stock units granted, the officers are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units and beyond. Because the restricted stock unit awards for our Named Executive Officers vest over a period of time and their value varies in response to investor sentiment regarding overall Company performance at the time of vesting, we believe that these service based awards are inherently performance based. By only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company. The Prior Employment Agreements for Messrs. Colosi and Jacobsen and Ms. Catlett also provide for a "retention" grant of restricted stock units, which vest upon completion of the term of the agreement on the condition that the officer is still serving the Company on the vesting date. Additionally, each of Mr. Jacobsen's and Ms. Catlett's 2018 Employment Agreements provides for a "retention" grant of restricted stock units, which vest upon completion of the term of their 2018 Employment Agreement on the condition that the officer is still serving the Company on the vesting date, and Mr. Taylor's 2018 Employment Agreement provides for a long-term "retention" grant of restricted stock units, which vest on January 8, 2023 on the condition that Mr. Taylor is still serving the Company on the vesting date.

In addition, both the Prior Employment Agreements and the 2018 Employment Agreements for Messrs. Taylor and Colosi contain bifurcated awards of service based restricted stock units and performance based restricted stock units. While the 2018 Employment Agreements for Messrs. Taylor and Colosi contain an annual grant of service based restricted stock units which vest over a one year period of service (as opposed to a three year grant of service based restricted stock units that vest over a three year period in their respective Prior Employment Agreements), both the Prior Employment Agreements and the 2018 Employment Agreements contain grants of performance based restricted stock units which are based on the achievement of defined goals to be established by the compensation committee. For the performance based awards, the compensation committee has established a two-pronged approach which mirrors the approach used for annual cash incentive bonuses. Under this approach, a percentage of the target equity award is based on whether the Company achieves the annual EPS Performance Goal, and a percentage is based on the 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). After the end of the fiscal year, the compensation committee determines whether and to what extent the EPS Performance Goal has been met, and the portion of the Profit Sharing Pool to which each officer is entitled. Each 1% change from the EPS Performance Goal results in an increase or decrease of 10% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. For example, if we achieve 11% EPS growth, the number of shares awarded would be 110% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. Conversely, if we achieve 9% EPS growth, the award would be 90% of the portion of the target amount attributable to the achievement of the EPS Performance Goal. The remaining percentage of the officers' equity award will fluctuate directly with Company pre-tax profits at fixed participation percentages and maximum amounts which are determined within 60 days following the commencement of the Company's fiscal year and while the pre-tax profits are not yet determined. Both portions of the performance based equity award may be reduced to a minimum of 0 or increased to a maximum of two times the target amount for each individual participant. Both portions of the performance based equity award can also be adjusted downward (but not upward) by the compensation committee in its discretion. Performance based equity awards with respect to fiscal year 2017 were paid at 135.3% of the total target amount, based on actual EPS growth of 13.0% and a pre-tax profit (Profit Sharing Pool) of \$180,106,845 during fiscal year 2017. For discussion of the percentages assigned by the compensation committee to each component of the performance based equity awards for Messrs. Taylor and Colosi, refer to the associated tables below.



Table of Contents

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.

Service Based Restricted Stock Units

The number of service based restricted stock units granted under the Prior Employment Agreements are shown in the table below. Except as noted, the grants vest in one-third increments for Messrs. Taylor and Colosi and Ms. Catlett each January 8 over a three-year period beginning on January 8, 2016 and ending on January 8, 2018, while Mr. Jacobsen's grants vest in one-third increments each January 8 over a three-year period beginning on January 8, 2017 and ending on January 8, 2019.

	<b>Service Based Restricted Stock Units vesting on January 8, 2016 pursuant to Prior Employment Agreements</b>	<b>Service Based Restricted Stock Units vesting on January 8, 2017 pursuant to Prior Employment Agreements</b>	<b>Service Based Restricted Stock Units vesting on January 8, 2018 pursuant to Prior Employment Agreements(1)</b>	<b>Service Based Restricted Stock Units vesting on January 8, 2019 pursuant to Prior Employment Agreements(2)</b>	<b>Total Service Based Restricted Stock Units granted pursuant to Prior Employment Agreements</b>
W. Kent Taylor Chairman, Chief Executive Officer	15,000	15,000	15,000		45,000
Scott M. Colosi President, Chief Financial Officer	20,000	20,000	40,000		80,000
Celia P. Catlett General Counsel, Corporate Secretary	10,000	10,000	20,000		40,000
S. Chris Jacobsen Chief Marketing Officer		10,000	10,000	15,000	35,000

(1) With respect to Mr. Colosi and Ms. Catlett, this number includes a retention grant of restricted stock units which vested on January 8, 2018.

(2) With respect to Mr. Jacobsen, this number represents the grant of 10,000 restricted stock units previously granted to Mr. Jacobsen under the 2016 Employment Agreement, together with a retention grant of 5,000 restricted stock units previously granted to Mr. Jacobsen under the 2016 Employment Agreement, which will vest on January 8, 2019, provided Mr. Jacobsen is still serving the Company on the vesting date. Because Mr. Jacobsen's 2016 Employment Agreement included a grant of restricted stock units relating to his 2018 service, his 2018 Employment Agreement does not include an initial grant of restricted stock units.

Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

Table of Contents

Except as noted below, the number of service based restricted stock units granted under the 2018 Employment Agreements are shown in the table below.

	Service Based Restricted Stock Units vesting on January 8, 2019 pursuant to 2018 Employment Agreements	Service Based Restricted Stock Units vesting on January 8, 2021 pursuant to 2018 Employment Agreements(1)	Service Based Restricted Stock Units vesting on January 8, 2023 pursuant to 2018 Employment Agreements(2)	Total Service Based Restricted Stock Units granted pursuant to 2018 Employment Agreements
W. Kent Taylor Chairman, Chief Executive Officer	10,000		75,000	85,000
Scott M. Colosi President, Chief Financial Officer	10,000			10,000
Celia P. Catlett General Counsel, Corporate Secretary	10,000	10,000		20,000
S. Chris Jacobsen Chief Marketing Officer		10,000		10,000

- (1) With respect to Mr. Jacobsen and Ms. Catlett, this number represents a retention grant of restricted stock units which will vest on January 8, 2021, provided the officer is still serving the Company on the vesting date.
- (2) With respect to Mr. Taylor, this number represents a retention grant of restricted stock units which will vest on January 8, 2023 provided Mr. Taylor is still serving the Company on the vesting date.

Performance Based Restricted Stock Units

The number of performance based restricted stock units granted to Messrs. Taylor and Colosi for 2017 fiscal year under their respective Prior Employment Agreement, and the number of shares of common stock which actually vested based on the Company's performance, are shown in the table below:

	Target Number of Performance Based Restricted Stock Units Granted for 2017 pursuant to Prior Employment Agreements	Minimum Number of Performance Based Restricted Stock Units pursuant to Prior Employment Agreements	Maximum Number of Performance Based Restricted Stock Units pursuant to Prior Employment Agreements	Actual Number of Shares Issued for 2017 following Certification of 2017 Performance Goals(1)
W. Kent Taylor Chairman, Chief Executive Officer	85,000	0	170,000	114,991
Scott M. Colosi President, Chief Financial Officer	30,000	0	60,000	40,585

- (1) The performance based restricted stock units attributable to the 2017 fiscal year were issued on February 15, 2018. The compensation committee determined that 50% of the performance based restricted stock unit award for the 2017 fiscal year would be based on an

## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

EPS growth target of 10%, which portion would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal, and that 50% of the performance based restricted stock unit award for the 2017 fiscal year would be based on a pre-tax profit target opportunity equal to

## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

### Table of Contents

the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the compensation committee for the performance period.

The number of performance based restricted stock units granted to Messrs. Taylor and Colosi under their respective 2018 Employment Agreements is shown in the table below. The actual number of shares that will be issued to each of Messrs. Taylor and Colosi for fiscal year 2018 based on achievement of the performance goals assigned to these grants by the compensation committee will not be calculated until the first quarter of 2019.

	<b>Target Number of Performance Based Restricted Stock Units vesting on January 8, 2019 pursuant to 2018 Employment Agreements(1)</b>	<b>Minimum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements</b>	<b>Maximum Number of Performance Based Restricted Stock Units pursuant to 2018 Employment Agreements</b>
W. Kent Taylor	50,000	0	100,000
Scott M. Colosi	40,000	0	80,000

(1)

The compensation committee determined that 50% of the performance based restricted stock unit award for 2018 would be based on an EPS growth target of 10%, which portion would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal, and that 50% of the performance based restricted stock unit award for 2018 would be based on a pre-tax profit target opportunity equal to the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the compensation committee for the performance period. The performance based restricted stock unit award for Messrs. Taylor and Colosi with respect to fiscal year 2018 will be certified in the first quarter of 2019.

The 2018 Employment Agreements further provide that the compensation committee may, in its discretion, grant additional performance based restricted stock units to Messrs. Taylor and Colosi with respect to future performance periods.

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

Except in the event of a change in control, the Prior Employment Agreement with Mr. Taylor provides that no severance would be paid to him upon termination of employment, but he would be entitled to receive a gift of a crisp \$100 bill if his employment were to be terminated by the Company without cause before the end of the term. Mr. Taylor's 2018 Employment Agreement contains the same provision. The Prior Employment Agreement for each of Messrs. Colosi and Jacobsen and Ms. Catlett provides that, except in the event of a change in control, if the Company terminates their employment without cause before the end of the term and the applicable executive officer signs a release of all claims against the Company, then the Company will pay a severance payment equal to any bonus for a 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 (\$175,000 for Mr. Colosi, \$87,500 for Mr. Jacobsen and \$62,500 for Ms. Catlett). The 2018 Employment Agreement for each of Messrs. Colosi and Jacobsen and Ms. Catlett contains the same provision, except that the fixed sum payments are the following: \$175,000 for Mr. Colosi, \$100,000 for Mr. Jacobsen and \$92,500 for Ms. Catlett. Similar payments are due to the officers under both the Prior Employment Agreements and the 2018 Employment Agreements if employment was or is terminated by reason of death or disability before the end of the term. The Company provides these severance payments to allow for a period of transition and in exchange for a full release of claims against the Company. 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

Table of Contents

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.

Both the Prior Employment Agreements and the 2018 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, and the Company's successor does not agree to be bound by the agreement, or the officer's responsibilities, pay or total benefits are reduced, then in such an event each such officer will receive severance payments in an amount equal to the officer's base salary and incentive bonus through the end of the term of the agreement but not less than one year. In addition, the officer's unvested stock awards, if any, will become vested as of the date of termination. Moreover, with respect to each of the officers under their respective 2018 Employment Agreement, if his or her employment is terminated under such circumstances and the officer has not yet been granted service-based restricted stock units or performance-based restricted stock units, as applicable under the respective officer's 2018 Employment Agreements, for either or both of the second and third years of his or her employment agreement, the officer will be issued the target number of restricted stock units set forth above for each of these years, and, in the case of Mr. Jacobsen, 10,000 restricted stock units. The payments and acceleration of vesting of the stock awards are contingent upon the officer signing a full release of claims against the Company. 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.

According to the terms of both the Prior Employment Agreements and the 2018 Employment Agreements, a change in control means that one of the following events has taken place: (1) the shareholders of the Company approve (a) a merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, \$0.001 par value ("Common Stock") would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger, or (b) a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution; (2) during any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period; (3) a tender or exchange offer (other than one made by (a) the Company, or (b) Mr. Taylor or any corporation, limited liability company, partnership, or other entity in which Mr. Taylor owns a direct or indirect ownership of 50% or more, or controls 50% or more of the voting power [collectively, the "Taylor Parties"]) is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended [the "Exchange Act"]), directly or indirectly, of securities representing in excess of the greater of at least 20% of the voting power of outstanding securities of the Company or the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or (4) any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of 20% of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties. No change of

Table of Contents

control will be deemed to have occurred for purposes of either an individual Prior Employment Agreement or an individual 2018 Employment Agreement by virtue of any transaction which results in the affected Named Executive Officer, or a group of persons which includes the affected Named Executive Officer, acquiring, directly or indirectly, securities representing 20% or more of the voting power of outstanding securities of the Company.

The estimated amounts that would have been payable to a Named Executive Officer under both the Prior Employment Agreements and the 2018 Employment Agreements 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 26, 2017.

All members of the compensation committee concur in this report.

James F. Parker, Chair  
Gregory N. Moore  
Kathleen M. Widmer  
James R. Zarley

Table of Contents

**Summary Compensation Table**

The following table sets forth the total compensation earned with respect to the fiscal years 2017, 2016, and 2015 for Mr. Taylor, our Chairman and Chief Executive Officer, and Mr. Colosi, our President and Chief Financial Officer. It also includes such information for each of our three other most highly compensated executive officers during fiscal year 2017, as and if applicable.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Grant	Non-equity	All	Total (\$)(3)	Actual	Actual
				Date Fair Value of Stock (\$)(2)	Incentive Plan (\$)	Other (\$)		Compensation for Fiscal Year Using Vesting Date Share Price (\$)(4)	Compensation for Fiscal Year Using Grant Date Share Price (\$)(5)(6)
W. Kent Taylor Chairman, Chief Executive Officer	2017	525,000		7,314,300	710,240	8,670	8,558,210	8,674,196(i)	6,351,301(i)
	2016	525,000		3,389,800	859,342	8,949	4,783,091	8,437,123(i)	6,660,634(i)
	2015	525,000		7,419,450	632,949	8,679	8,586,078	5,358,564(i)	5,388,923(i)
Scott M. Colosi President, Chief Financial Officer	2017	450,000	200	2,709,000	473,494	8,670	3,641,364	5,538,603(ii)	3,941,694(ii)
	2016	450,000	200	1,196,400	572,895	8,949	2,228,444	4,190,143(ii)	3,402,416(ii)
	2015	450,000	200	4,848,000	421,966	8,679	5,728,845	2,867,989(ii)	2,882,380(ii)
Celia P. Catlett General Counsel, Corporate Secretary	2017	300,000	200	1,083,600	169,105	8,670	1,561,575	1,621,175(iii)	1,173,375(iii)
	2016	275,000	200		204,605	8,949	488,754	945,754(iii)	836,454(iii)
	2015	250,000	200	1,390,800	150,702	8,679	1,800,381	754,781(iii)	757,281(iii)
S. Chris Jacobsen Chief Marketing Officer	2017	300,000	200	541,800	236,747	8,670	1,087,417	1,117,217(iv)	902,317(iv)
	2016	300,000	200	1,338,911	204,605	8,949	1,852,665	1,060,472(iv)	960,915(iv)

(1) This column represents holiday bonus awards paid to the Named Executive Officers for the fiscal years ended December 26, 2017, December 27, 2016, and December 29, 2015.

(2) Reflects the grant date fair value computed in accordance with ASC 718 of performance based restricted stock units and service based restricted stock units granted pursuant to the Company's long term incentive plan using the closing price of the Company's common stock on the last trading day immediately preceding the grant date. These are not amounts paid to or received by the Named Executive Officers. For discussion of the valuation assumptions used in these computations, see Note 13 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017.

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) With respect to Messrs. Taylor and Colosi and Ms. Catlett, amounts include the grant date fair value of the performance based restricted stock units and service based restricted stock units granted to the Named Executive Officers during the applicable year (as and if applicable). The service grants for Messrs. Taylor and Colosi and Ms. Catlett vest in one-third increments each January 8 over a three-year period beginning on January 8, 2016 and ending on January 8, 2018, subject to continued service to the Company, and the performance grants to Messrs. Taylor and Colosi vest individually over an approximately one year period, subject to certification by the compensation committee of the level of satisfaction of the performance criteria. The amount set forth in the Summary Compensation Table for the 2017 fiscal year for Mr. Taylor lists a value representing the grant date value for 75,000 restricted stock units granted under his 2018 Employment Agreement which will vest on January 8, 2023 provided Mr. Taylor is still serving the Company on the vesting date. Additionally, the amount set forth in the Summary Compensation Table for the 2015 fiscal year lists a value representing the

Table of Contents

grant date fair value for the entirety of the performance based restricted stock units and/or service based restricted stock units (as and if applicable) granted to the Named Executive Officers, even though Messrs. Taylor and Colosi only received the value of the one-third increment of service based restricted stock units and first grant of performance based restricted stock units, and Ms. Catlett only received the value of the one-third increment of service based restricted stock units. Amounts relating to these performance based restricted stock units and service based restricted stock units are not amounts paid to or received by the Named Executive Officers during the time periods reflected in the table.

With respect to Mr. Jacobsen, the grants made during fiscal year 2016 reflect service based restricted stock units that vest in one-third increments each January 8 over a three-year period beginning on January 8, 2017 and ending on January 8, 2019, subject to Mr. Jacobsen's continued service to the Company. Amounts reported in the column titled "Grant Date Fair Value of Stock Awards" and the column titled "Total" are not amounts paid to or received by Mr. Jacobsen during fiscal year 2016.

(4)

Includes salary, bonus, non-equity incentive plan compensation, all other compensation, and the estimated value at vesting of the portion of the stock awards attributable to the officer's service for the relevant fiscal year (regardless of whether granting or vesting occurred during such fiscal year). The estimated per unit value at vesting was calculated using the closing price of the Company's common stock on the last trading day immediately preceding the vesting date, as follows:

(i)

for Mr. Taylor in 2017, 15,000 service based restricted stock units which vested on January 8, 2018 at \$57.16, and 114,991 performance based restricted stock units which vested on January 8, 2018 at \$57.16; for Mr. Taylor in 2016, 15,000 service based restricted stock units which vested on January 8, 2017 at \$45.70, and 139,132 performance based restricted stock units which vested on January 8, 2017 at \$45.70; and for Mr. Taylor in 2015, 15,000 service based restricted stock units which vested on January 8, 2016 at \$34.52, and 106,435 performance based restricted stock units which vested on January 8, 2016 at \$34.52.

(ii)

for Mr. Colosi in 2017, 40,000 service based restricted stock units which vested on January 8, 2018 at \$57.16, and 40,585 performance based restricted stock units which vested on January 8, 2018 at \$57.16; for Mr. Colosi in 2016, 20,000 service based restricted stock units which vested on January 8, 2017 at \$45.70 and 49,105 performance based restricted stock units which vested on January 8, 2017 at \$45.70; and for Mr. Colosi in 2015, 20,000 service based restricted stock units which vested on January 8, 2016 at \$34.52, and 37,565 performance based restricted stock units which vested on January 8, 2016 at \$34.52.

(iii)

for Ms. Catlett in 2017, 20,000 service based restricted stock units which vested on January 8, 2018 at \$57.16; for Ms. Catlett in 2016, 10,000 service based restricted stock units which vested on January 8, 2017 at \$45.70; and for Ms. Catlett in 2015, 10,000 service based restricted stock units which vested on January 8, 2016 at \$34.52.

(iv)

for Mr. Jacobsen in 2017, 10,000 service based restricted stock units which vested on January 8, 2018 at \$57.16; and for Mr. Jacobsen in 2016, 10,000 service based restricted stock units which vested on January 8, 2017 at \$45.70 and 2,125 service based restricted stock units which vested on February 26, 2017 at \$42.22.

(5)

Includes salary, bonus, non-equity incentive plan compensation, all other compensation, and the grant date value of the portion of the stock awards attributable to the officer's service for the relevant fiscal year (regardless of whether granting or vesting occurred during such fiscal year).



Table of Contents

The per unit grant date value was calculated using the closing price of the Company's common stock on the last trading day immediately preceding the granting date, as follows:

- (i) for Mr. Taylor in 2017, 15,000 service based restricted stock units granted on January 8, 2015 at \$34.77 and 114,991 performance based restricted stock units granted on November 9, 2016 at \$39.88; for Mr. Taylor in 2016, 15,000 service based restricted stock units granted on January 8, 2015 at \$34.77, and 139,132 performance based restricted stock units granted on November 19, 2015 at \$34.11; and for Mr. Taylor in 2015, 15,000 service based restricted stock units granted on January 8, 2015 at \$34.77, and 106,435 performance based restricted stock units granted on January 8, 2015 at \$34.77.
- (ii) for Mr. Colosi in 2017, 40,000 service based restricted stock units granted on January 8, 2015 at \$34.77 and 40,585 performance based restricted stock units granted on November 9, 2016 at \$39.88; for Mr. Colosi in 2016, 20,000 service based restricted stock units granted on January 8, 2015 at \$34.77 and 49,105 performance based restricted stock units granted on November 19, 2015 at \$34.11; and for Mr. Colosi in 2015, 20,000 service based restricted stock units granted on January 8, 2015 at \$34.77, and 37,565 performance based restricted stock units granted on January 8, 2015 at \$34.77.
- (iii) for Ms. Catlett in 2017, 20,000 service based restricted stock units granted on January 8, 2015 at \$34.77; for Ms. Catlett in 2016, 10,000 service based restricted stock units granted on January 8, 2015 at \$34.77; and for Ms. Catlett in 2015, 10,000 service based restricted stock units granted on January 8, 2015 at \$34.77.
- (iv) for Mr. Jacobsen in 2017, 10,000 service based restricted stock units granted on February 11, 2016 at \$35.67; and for Mr. Jacobsen in 2016, 10,000 service based restricted stock units granted on February 11, 2016 at \$35.67 and 2,125 service based restricted stock units granted on February 26, 2016 at \$42.57.

- (6) In comparing the grant date stock value and the vesting date stock value for the service based restricted stock units and/or performance based restricted stock units attributable to the applicable fiscal year for each executive officer, the difference in compensation for each executive officer is directly connected to the increase and/or decrease in the share price, which is consistent with our compensation philosophy for our executive officers (more particularly described above).

Table of Contents**Grants of Plan-Based Awards in Fiscal Year 2017**

The following table presents information with respect to grants of stock awards to the applicable Named Executive Officers during fiscal year 2017.

**Grants of Plan-Based Awards Table**

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(2)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
		Minimum	Target	Maximum		
<b>W. Kent Taylor</b>						
Service Based RSUs vesting January 8, 2019	December 26, 2017				10,000	541,800
Performance Based RSUs vesting January 8, 2019	December 26, 2017	0	50,000(4)	100,000		2,709,000
Service Based RSUS vesting January 8, 2023	December 26, 2017				75,000	4,063,500
<b>Scott M. Colosi</b>						
Service Based RSUs vesting January 8, 2019	December 26, 2017				10,000	541,800
Performance Based RSUs vesting January 8, 2019	December 26, 2017	0	40,000(4)	80,000		2,167,200
<b>Celia Catlett</b>						
Service Based RSUs vesting January 8, 2019	December 26, 2017				10,000	541,800
Service Based RSUs vesting January 8, 2021	December 26, 2017				10,000	541,800
<b>S. Chris Jacobsen</b>						
Service Based RSUs vesting January 8, 2021	December 26, 2017				10,000	541,800

(1) These amounts reflect the minimum, target, and maximum number of shares issuable under performance awards. The related performance targets and certain results are described in detail in the "Compensation Discussion and Analysis".

(2) Each stock award 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. See the "Compensation Discussion and Analysis" for the conditions of accelerated vesting upon termination of employment other than for cause.

(3) Reflects the grant date fair value computed in accordance with FASB ASC Topic 718 of the target number of performance based units and restricted stock units granted to the Named Executive Officers using the closing price of the Company's common stock on the last trading day immediately preceding the grant date, which was \$54.18. These are not amounts paid to or received by the Named Executive Officers. For discussion of the assumptions used in determining these values, see Note 13 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017.

(4) The amount represents the target award opportunity. Performance based equity awards with respect to fiscal year 2017 were paid at 135.3% of the total target amount, based on actual EPS growth of 13.0% and a pre-tax profit (Profit Sharing Pool) of \$180,106,845 during fiscal year 2017.



Table of Contents

**Outstanding Equity Awards**

The following table presents information with respect to outstanding stock option awards, stock awards, and equity incentive plan awards as of December 26, 2017 by the Named Executive Officers.

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

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Exercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
W. Kent Taylor Chairman, Chief Executive Officer			NA	NA	100,000(2)	5,408,000	135,000(3)	7,300,800
Scott M. Colosi President, Chief Financial Officer			NA	NA	50,000(4)	2,704,000	70,000(5)	3,785,600
Celia P. Catlett General Counsel, Corporate Secretary			NA	NA	40,000(6)	2,163,200		
S. Chris Jacobsen Chief Marketing Officer			NA	NA	35,000(7)	1,892,800		

- (1) Market value was computed using the Company's closing stock price on December 26, 2017, the date the Company's fiscal year ended, which was \$54.08.
- (2) The vesting schedule is as follows: 15,000 shares on January 8, 2018, 10,000 shares on January 8, 2019 and 75,000 shares on January 8, 2023.
- (3) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 85,000 shares on January 8, 2018 and 50,000 shares on January 8, 2019.
- (4) The vesting schedule is as follows: 40,000 shares on January 8, 2018 and 10,000 shares on January 8, 2019.
- (5) Consists of performance awards which will vest and be earned, if at all, at the time of a determination by our compensation committee that certain Company performance measures have been satisfied. If and to the extent earned, the vesting schedule is as follows: 30,000 shares on January 8, 2018 and 40,000 shares on January 8, 2019.
- (6) The vesting schedule is as follows: 20,000 shares on January 8, 2018, 10,000 shares on January 8, 2019 and 10,000 shares on January 8, 2021.
- (7)

## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

The vesting schedule is as follows: 10,000 shares on January 8, 2018, 15,000 shares on January 8, 2019, and 10,000 shares on January 8, 2021.

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

Table of Contents**Options Exercised and Stock Vested**

The following table presents information with respect to stock options exercised and stock awards vested during the fiscal year ended December 26, 2017 by the Named Executive Officers.

**Option Exercises and Stock Vested Table**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
W. Kent Taylor Chairman, Chief Executive Officer			154,132	7,043,832(i)
Scott M. Colosi President, Chief Financial Officer			69,105	3,158,099(ii)
Celia P. Catlett General Counsel, Corporate Secretary			10,000	457,000(iii)
S. Chris Jacobsen Chief Marketing Officer			12,125	546,718(iv)

(1) To the extent applicable, 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 fair value of the underlying shares based on the closing price of the Company's common stock on the trading day immediately preceding the vesting date, which is in accordance with the following:

- (i) \$45.70 with respect to the 15,000 service based restricted stock units which vested on January 8, 2017, and \$45.70 with respect to the 139,132 performance based restricted stock units which vested on January 8, 2017 but became reportable on February 16, 2017.
- (ii) \$45.70 with respect to the 20,000 service based restricted stock units which vested on January 8, 2017, and \$45.70 with respect to the 49,105 performance based restricted stock units which vested on January 8, 2017 but became reportable on February 16, 2017.
- (iii) \$45.70 with respect to the 10,000 restricted stock units which vested on January 8, 2017.
- (iv) \$45.70 with respect to the 10,000 restricted stock units which vested on January 8, 2017 and 2,125 service based restricted stock units which vested on February 26, 2017 at \$42.22.

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

If a Named Executive Officer had resigned or been terminated for cause prior to the expiration of the term of his or her Prior Employment Agreement or 2018 Employment Agreement, the officer would have received payment of his or her annual base salary then in effect through the date of resignation or termination.

If a Named Executive Officer had been terminated prior to the expiration of the term of his or her Prior Employment Agreement as a result of death or disability, such officer's beneficiary or estate would have been entitled to receive an amount equal to such officer's annual base salary then in effect through the date of termination due to death or disability, plus any earned but unpaid bonus, plus the amount of such officer's

Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

annual base salary then in effect for 180 days following the termination, plus a fixed bonus amount as follows: for Mr. Taylor, \$262,500; for Mr. Colosi, \$175,000; for Ms. Catlett, \$62,500; and for Mr. Jacobsen, \$87,500.

## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

### Table of Contents

If a Named Executive Officer had been terminated prior to the expiration of the term of his or her 2018 Employment Agreement as a result of death or disability, such officer's beneficiary or estate would have been entitled to receive an amount equal to such officer's annual base salary then in effect through the date of termination due to death or disability, plus any earned but unpaid bonus, plus the amount of such officer's annual base salary then in effect for 180 days following the termination, plus a fixed bonus amount as follows: for Mr. Taylor, \$262,500; for Mr. Colosi, \$175,000; for Ms. Catlett, \$92,500; and for Mr. Jacobsen, \$100,000.

The following table lists the estimated amounts payable to a Named Executive Officer pursuant to the Prior Employment Agreements if his or her employment had been terminated without cause unrelated to a change of control on December 26, 2017, the last day of our fiscal year, provided that each officer signed a full release of all claims against us.

**Termination Payments Table**

Name	Estimated Cash Payments \$(1)	Estimated Value of Newly Vested Stock Awards \$(2)	Total (\$)
W. Kent Taylor Chairman, Chief Executive Officer	100	5,408,000	5,408,100
Scott M. Colosi President, Chief Financial Officer	870,412	3,785,600	4,656,012
Celia P. Catlett General Counsel, Corporate Secretary	379,550	1,081,600	1,461,150
S. Chris Jacobsen Chief Marketing Officer	472,192	1,352,000	1,824,192

(1) Mr. Taylor is entitled to a crisp \$100 bill upon the termination of his employment without cause. If the employment of Mr. Colosi had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect (\$450,000) for 180 days, plus \$175,000. If the employment of Ms. Catlett had been terminated under those circumstances, she would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of her annual base salary then in effect (\$300,000) for 180 days, plus \$62,500. If the employment of Mr. Jacobsen had been terminated under those circumstances, he would have received any bonus for a year already ended (even if not yet paid at termination), plus the proportionate share of his annual base salary then in effect (\$300,000) for 180 days, plus \$87,500.

(2) Each officer's restricted stock units would have become immediately vested upon a termination of his or her employment without cause. The amounts shown in this column represent the value of the restricted stock units outstanding under the Prior Employment Agreements at the closing price of our common stock on December 26, 2017, which was \$54.08. The number of restricted stock units which would have vested on that date is shown in "Outstanding Equity Awards."

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 26, 2017, the last day of our fiscal year, provided that each officer signed a full release of claims against us.



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

<b>Name</b>	<b>Estimated Cash Payments (\$)(1)</b>	<b>Estimated Value of Newly Vested Stock Awards (\$)(2)</b>	<b>Total (\$)</b>
W. Kent Taylor Chairman, Chief Executive Officer	1,754,487	5,408,000	7,162,487
Scott M. Colosi President, Chief Financial Officer	1,268,562	3,785,600	5,054,162
Celia P. Catlett General Counsel, Corporate Secretary	590,817	1,081,600	1,672,417
S. Chris Jacobsen Chief Marketing Officer	890,857	1,352,000	2,242,857

(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 target 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 26, 2017, each of Messrs. Colosi and Taylor and Ms. Catlett would have received payment through December 26, 2018, and Mr. Jacobsen would have received payment through January 7, 2019.

The table below details the estimated payment for each officer.

<b>Name</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Total Estimated Payments (\$)</b>
W. Kent Taylor Chairman, Chief Executive Officer	519,247	1,235,240	1,754,487
Scott M. Colosi President, Chief Financial Officer	445,068	823,494	1,268,562
Celia P. Catlett General Counsel, Corporate Secretary	296,712	294,105	590,817
S. Chris Jacobsen Chief Marketing Officer	304,110	586,747	890,857

(2)

Each officer's restricted stock units would have become immediately vested 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. In addition, if either or both of Messrs. Taylor and Colosi had not yet been granted performance based restricted stock units for either or both of the second or third years of his employment agreement, they would be issued the target number of units set forth in their respective Prior Employment Agreements and as more particularly identified in the Grants of Plan-Based Awards Table above for each such year. The amounts shown in this column represent the value of the restricted stock units at the closing price of our common stock on December 26, 2017, which was \$54.08. The number of restricted stock units which would have vested on that date are shown in "Outstanding Equity Awards".

Table of Contents

**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 audit 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 audit committee has prepared the following report on its activities and with respect to the Company's audited consolidated financial statements for the fiscal year ended December 26, 2017 (the "Audited Financial Statements").

The audit committee met 15 times during fiscal year 2017. The audit committee's meetings included private sessions with the Company's independent auditors and internal auditors, as well as executive sessions consisting of only audit committee members. The audit committee also met periodically in private sessions with management, including Named Executive Officers (as needed);

The audit committee reviewed the acknowledgement process for the Company's Code of Conduct, 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 and the consolidated financial statements;

The audit committee reviewed matters submitted to it via the Company's whistleblower hotline and/or other reporting mechanisms regarding concerns about allegedly questionable financial, accounting and/or auditing matters (if any);

The audit committee reviewed with management, including the internal auditors 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, as well as the Company's cybersecurity controls and system standards;

The audit committee reviewed with the General Counsel the Company's disclosures with respect to current lawsuits;

The audit committee reviewed comment letters received from the Securities and Exchange Commission, if any, together with management's response to such letters;

The audit committee pre-approved all audit, audit-related and permissible non-audit services provided to the Company by KPMG LLP, the Company's independent auditors for the fiscal year 2017, before management engaged the independent auditors for those purposes, pursuant to and in accordance with the Texas Roadhouse, Inc. Policy for Pre-Approval of Services Provided by External Audit Firm (which is available on the Company's website, [www.texasroadhouse.com](http://www.texasroadhouse.com));

On a quarterly basis, the audit committee discussed with KPMG LLP the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standard No. 1301, Communications with Audit Committees;

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

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

Table of Contents

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

The audit committee reviewed and discussed the Company's Audited Financial Statements for the fiscal year 2017 with management and the independent auditors;

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 26, 2017, for filing with the SEC.

All members of the audit committee concur in this report.

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

**Related Party 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% shareholders, 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. Unless specifically noted, the transactions described below were entered into before our initial public offering and the subsequent formation of the audit committee.

*Grants of Franchise or License Rights*

We have licensed or franchised restaurants to companies owned in part by current executive officers. The licensing or franchise fees paid by these companies to us range from 0.0% to 4.0% of restaurant sales, which is less than the amount we typically charge to franchisees. We believe that allowing certain executive officers with ownership interests in our restaurants that pre-dated our initial public offering to continue to maintain those ownership interests adds an ongoing benefit to the Company by making the executive officers more invested in the overall success of the brand. Ownership of franchised restaurants by our current executive officers is listed below.

Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

Table of Contents

Restaurant	Name and Ownership	Initial Franchise Fee	Royalty Rate	Royalties Paid to Us in Fiscal Year 2017 (\$)	Management or Supervision Fees Paid to Us in Fiscal Year 2017 (\$)
Billings, MT	W. Kent Taylor (27.5%)		4.0%	197,909	24,739
	Scott M. Colosi (2.0%)				
Everett, MA	W. Kent Taylor (28.75%)		4.0%	260,220	32,528
	Scott M. Colosi (5.05%)				
Fargo, ND	W. Kent Taylor (5.0%)		2.0%	104,941	
McKinney, TX	W. Kent Taylor (17.0%)			259,071	32,384
	Scott M. Colosi (4.91%)				
Muncie, IN	W. Kent Taylor (4.91%)			50,000	
Omaha, NE	W. Kent Taylor (10.99%)		4.0%	191,384	25,253
	Scott M. Colosi (3.0%)				
Port Arthur, TX	W. Kent Taylor (15.0%)		4.0%	213,113	26,639
	Scott M. Colosi (3.0%)				
Wichita, KS	W. Kent Taylor (24.05%)		4.0%	336,873	41,252
	Scott M. Colosi (4.0%)				

For the 2017 fiscal year, the total amount of distributions received by Mr. Taylor and Mr. Colosi relating to their ownership interests in the above-referenced franchised restaurants were \$1,578,407 and \$160,537, respectively. These amounts do not reflect compensation paid by the Company to Mr. Taylor and/or Mr. Colosi during the 2017 fiscal year; rather, these amounts were paid by the applicable franchise entity and reflect a return on investment in these separate restaurant locations.

On March 19, 2004, we entered into a preliminary franchise agreement with a company which is 95% owned by Mr. 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 fiscal year 2017, we received no payment from this franchise restaurant, as none was due.

The franchise agreements and preliminary franchise agreement that we have entered into with our executive officers contain the same terms and conditions as those agreements that we enter into with our other domestic franchisees except, in some instances, the initial franchise fees and the royalty rates, which are currently \$40,000 and 4.0%, respectively, for our other domestic franchisees. We have the contractual right, but not the obligation, to acquire the restaurants owned by our executive officers 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*

We entered into real estate lease agreements for franchise restaurants located in Everett, MA, of which Mr. Taylor beneficially owns 28.75% and Fargo, ND, of which Mr. Colosi owns 5.05%, before our granting franchise rights for those restaurants. We have subsequently assigned the leases to the



## Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

### Table of Contents

franchisees, but we remain contingently liable if a franchisee defaults under the terms of a lease. The Everett lease expires in February 2023, and the Fargo lease expires in July 2021.

In 2016, Mr. Taylor loaned \$300,000 to Texas Roadhouse of Billings, LLC for capital improvements, which loan was paid off on December 19, 2017. We own 5.0% of the franchise entity, Mr. Taylor beneficially owns 27.5% of the franchise entity, and Mr. Colosi beneficially owns 2.0% of the franchise entity. The loan had a maturity date of January 15, 2018 and had an interest rate of LIBOR plus 0.44%.

Table of Contents

**PRESENTATION OF PROPOSALS**

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

The Company's bylaws provide for not less than one and not more than 15 directors. Our Board currently consists of five directors. At the Annual Meeting, we are electing two directors for a term of one year each. 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 a substitute nominee.

**Nominee for Election as a Director**

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

<b>Name</b>	<b>Age</b>	<b>Position or Office</b>	<b>Director Since</b>
W. Kent Taylor	62	Director; Chairman & CEO	2004
James R. Zarley	73	Director	2004

**Recommendation**

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE NOMINEES FOR THE DIRECTORS OF THE COMPANY SET FORTH ABOVE FOR ONE YEAR EACH.**



Table of Contents**PROPOSAL 2****RATIFICATION OF INDEPENDENT AUDITORS**

As more particularly described in this proxy statement, the audit committee is directly responsible for managing the Company's independent auditors, which includes, without limitation, (i) pre-approving all audit and permitted non-audit services provided by our independent auditors, and (ii) the appointment, compensation, retention and oversight of the Company's independent auditors. In connection with the same and pursuant to its charter, the audit committee has appointed the firm of KPMG LLP to serve as the independent auditors to audit the consolidated financial statements and the internal control over financial reporting of the Company for the fiscal year which ends on December 25, 2018. The Board and the audit committee jointly agree that the continued retention of KPMG LLP is in the best interest of the Company and its shareholders. Accordingly, a resolution will be presented at the Annual Meeting to ratify the appointment of KPMG LLP. If the shareholders fail to ratify the appointment of KPMG LLP, the audit committee will take this result into account when appointing an independent auditor for fiscal year 2018. 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 of the Company and its shareholders. 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.

**Fees Paid to the Independent Auditors**

We paid the following fees to KPMG LLP for fiscal years 2017 and 2016:

	2017(\$)	2016(\$)
Audit Fees	685,000	780,000
Audit-related Fees	50,664	
Tax Fees	55,632	64,534
All Other Fees		24,279
	791,296	868,813

*Audit Fees*

KPMG LLP charged \$685,000 in fiscal year 2017 and \$780,000 in fiscal year 2016 for audit fees. These include professional services in connection with the audit of the Company's annual consolidated financial statements and its internal control over financial reporting. They also include reviews of the Company's consolidated 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. Finally, the fees for fiscal years 2017 and 2016 contain \$15,000 and \$140,000, respectively, relating to accounting software conversions.

*Audit-related Fees*

KPMG LLP charged the Company \$50,664 for audit-related services in fiscal year 2017. These include professional services in connection with statutory audits.

*Tax Fees*

KPMG LLP charged \$55,632 for tax consulting services in fiscal year 2017 and \$65,534 for tax consulting services in fiscal year 2016.

Table of Contents

*All Other Fees*

KPMG LLP charged \$24,279 for permissible non-audit services in fiscal year 2016. These include professional services in connection with the preparation and delivery of training materials on global anti-bribery and anti-corruption policies.

**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 audit committee is to review all engagement letters for accounting firms for non-audit services.

**Recommendation**

**THE BOARD RECOMMENDS A VOTE "FOR" THE RATIFICATION OF KPMG LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE 2018 FISCAL YEAR.**

Table of Contents

**PROPOSAL 3**

**ADVISORY VOTE ON APPROVAL OF EXECUTIVE COMPENSATION**

The Board requests shareholder 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 shareholders on this proposal and will consider the outcome of the vote when making future compensation decisions for Named Executive Officers. Additionally, the compensation committee invites shareholders to express any questions or concerns regarding the Company's compensation philosophy for Named Executive Officers by correspondence addressed to Texas Roadhouse, Inc. Compensation Committee, 6040 Dutchmans Lane, Louisville, Kentucky 40205.

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. 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) a cash 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 its overall pre-tax profit, 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 shareholders. The compensation packages for our Named Executive Officers offer base salaries and target cash bonus amounts which are modest within the casual dining restaurant sector and feature restricted stock unit awards, the value of which is dependent upon the performance of the Company and the price of our common stock.

The underlying philosophy reflected by this approach is that, because a significant amount of each officer's compensation lies in the value of the restricted stock units granted, the officers are motivated to continually improve the Company's performance in the hope that the performance will be reflected by the stock price on the vesting date of their restricted stock units and beyond. In addition, by conditioning a significant portion of our Chief Executive Officer's and our President's restricted stock unit grants upon the achievement of defined performance goals to be established by the compensation committee, combined with the stock ownership guidelines for our executive officers more particularly described above in this proxy statement, we have created a more direct relationship between the compensation of our top executives and shareholder value, while also achieving what we believe is the right combination of rewards and incentives to drive Company performance without encouraging unnecessary or excessive risk taking. Additionally, by only providing one year's worth of restricted stock units to our Named Executive Officers in the 2018 Employment Agreements, the compensation committee has the opportunity to adjust a significant portion of the compensation for the Named Executive Officers on an annual basis to more accurately reflect the overall performance of the Company. Overall, we believe this approach provides the Named Executive Officers with a compensation package which promotes the sustained profitability of the Company and aligns the interests of our executive officers with those of our shareholders. The compensation packages also reflect a pragmatic response to external market conditions; that is, total 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 shareholders.

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 both long-term business development and short-term financial growth. The Board was pleased to receive shareholder

Table of Contents

approval of the compensation packages of our Named Executive Officers in the advisory vote at the 2017 annual meeting and again requests approval of the compensation packages of our Named Executive Officers.

**Recommendation**

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

Table of Contents

**SHAREHOLDER PROPOSALS**

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

The Company's bylaws, a copy of which is available on the Company's website, *www.texasroadhouse.com*, require shareholders who intend to propose business for consideration by shareholders at the 2019 annual meeting, other than shareholder 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, 2018. This notice must include a description of the business desired to be brought before the annual meeting, the name and address of the shareholder 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 shareholder and such other beneficial owner and any material interest of the shareholder and such other beneficial owner in such business. Similar requirements are set forth in the Company's bylaws with respect to shareholders desiring to nominate candidates for election as director. Exchange Act rules permit management to vote proxies in its discretion in certain cases if the shareholder does not comply with these deadlines, and in certain other cases notwithstanding the shareholder's compliance with these deadlines. If a shareholder submitting a matter to be raised at the Company's next annual meeting desires that such matter be included in the Company's proxy statement for that meeting, such matter must be submitted to the Company no later than December 7, 2018.

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

**SHAREHOLDERS' COMMUNICATIONS WITH THE BOARD**

Shareholders that want to communicate in writing with the Board, or specific directors individually, may send proposed communications to the Company's General Counsel and Corporate Secretary, Celia Catlett, at 6040 Dutchmans Lane, Louisville, Kentucky 40205. The proposed communication will be reviewed by Ms. Catlett and by the audit committee. If the communication is appropriate and serves to advance or improve the Company or its performance, it will be forwarded to the Board or the appropriate director.

**FORM 10-K**

The Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017, accompanies this proxy statement. The Company's Annual Report does not form any part of the material for solicitation of proxies.

**Any shareholder who wishes to obtain, without charge, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 2017, which includes financial statements, and is required to be filed with the SEC, may access it at *www.texasroadhouse.com* in the Investors section or may send a written request to Celia Catlett, General Counsel and Corporate Secretary, Texas Roadhouse, Inc., 6040 Dutchmans Lane, Louisville, Kentucky 40205.**

**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

Edgar Filing: Texas Roadhouse, Inc. - Form DEF 14A

Table of Contents

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, 2018

*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.*

























