FRANCHISE DISCLOSURE DOCUMENT

Texas Roadhouse Development Corporation
a Kentucky corporation
6060 Dutchmans Lane
Louisville, Kentucky 40205
Phone: 502-426-9984
Fax: 502-426-3274
www.bubbas33.com
www.facebook.com/bubbas33brand.com
www.twitter.com/bubbas33

We offer you a franchise to own and operate a Bubba's 33 Restaurant that features a specialized menu of hand-tossed pizza, fresh-ground burgers and related food items, and full bar service ("Bubba's 33 Restaurant" or a "Restaurant").

The total investment necessary to begin operation of a Restaurant ranges from $5,528,000 to $8,098,500, depending on whether the Restaurant is new or a renovation (exclusive of land costs). This includes $90,000 that must be paid to us or our affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or our affiliates in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Texas Roadhouse Development Corporation ("TRDC"), Legal Department, at 502-426-9984 or Legal@texasroadhouse.com.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: August 26, 2016

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT PERMITS YOU TO MEDIATE WITH AND SUE US ONLY IN KENTUCKY. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO MEDIATE WITH AND SUE US IN KENTUCKY THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT KENTUCKY LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

State registration effective dates are listed on the following State Registrations page.

TEXAS ROADHOUSE DEVELOPMENT CORPORATION

STATE EFFECTIVE DATE SUMMARY PAGE

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	Effective Date: _____________, 2016

TABLE OF CONTENTS

ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The Franchisor is Texas Roadhouse Development Corporation, referred to in this Disclosure Document as "TRDC," "we," "us," or "our." To simplify the language in this Disclosure Document, we refer to the person interested in buying the franchise as "you" or "your."

We were incorporated as a Kentucky corporation on June 21, 1995. Since October 8, 2004, we have been a wholly-owned subsidiary of Texas Roadhouse, Inc. ("TXRH"), a Delaware corporation whose stock is traded on the Nasdaq Global Select Market. We and TXRH maintain our principal place of business at 6040 Dutchmans Lane, Louisville, Kentucky 40205. We do business under our corporate name and the service marks "Texas Roadhouse" and "Bubba's 33." Our agents for service of process are listed in Exhibit F.

We sell franchises for restaurants that feature made-from-scratch food, including hand-tossed pizza, fresh-ground burgers and related food items, and a full bar service (each, a "Restaurant" and two or more, collectively, "Restaurants"). Restaurants do business under the service mark "Bubba's 33" and other marks we may authorize ("Marks") and operate using a distinctive system of operation ("System"), described below. Our affiliate, Texas Roadhouse Delaware LLC ("Texas Roadhouse Delaware"), owns the Marks and the System and licenses them to us. Texas Roadhouse Delaware also maintains its principal place of business at 6040 Dutchmans Lane, Louisville, Kentucky 40205.

The first Bubba's 33 Restaurant opened in Fayetteville, North Carolina in May, 2013. Although we do not operate Bubba's 33 Restaurants, the Fayetteville, North Carolina Restaurant and other Bubba's 33 Restaurants ("Company-owned Restaurants") are now owned (in whole or in part) by our affiliates.

Our affiliates, Texas Roadhouse Holdings LLC ("Holdings") and Strategic Restaurant Concepts, LLC ("Strategic"), provide management and other services to the Company-owned Restaurants either directly or through other affiliated entities. Strategic provides management and other services to our franchisees. Management services include general and administrative support services, training, other pre-and post-opening assistance and support services, and marketing and promotional support. Holdings and Strategic maintain their principal place of business at 6040 Dutchmans Lane, Louisville, Kentucky 40205.

We began offering franchises for Bubba's 33 Restaurants on August 26, 2016. We also offer franchises for Texas Roadhouse restaurants that operate in the United States and have done so since 1995. As of the date of this disclosure document, there are 392 Texas Roadhouse restaurants open and operating that we or our affiliates own and 72 Texas Roadhouse restaurants that our Texas Roadhouse franchisees own. Our affiliate, TRDC International, LLC offers franchises for Texas Roadhouse restaurants that operate in countries outside of the United States. As of the date of this disclosure document, there are 12 Texas Roadhouse restaurants that TRDC International, LLC franchisees operate in five different countries. None of our other affiliates offer franchises in this or any other line of business.

The Franchise

We offer franchises for Restaurants to qualified individuals and entities. In order to qualify, you must meet certain experience, financial, and other criteria. You must be capitalized with equity of not less than $600,000 or 25% of the total estimated project cost, whichever is higher, for each Restaurant for which a franchise is granted.

Restaurants operate under a System that includes distinctive exterior and interior design, decor, color scheme, and furnishings. The System also includes special recipes and menu items; uniform standards, specifications, and procedures for operations and quality and uniformity of products and services; procedures for inventory, management, and financial control; training and assistance; and marketing and promotional programs. We may change any of these items.

If we approve your application for a franchise, we will enter into a Franchise Agreement with you in the form attached to this Disclosure Document as Exhibit B. Under the Franchise Agreement, you must (i) identify managerial personnel reasonably acceptable to us to manage your Bubba's 33 Restaurant; (ii) locate a site suitable for the operation of the Restaurant and acceptable to us within a non-exclusive geographic area ("Designated Area") described in the Franchise Agreement and demonstrate to our reasonable satisfaction your favorable prospects for obtaining the site; and (iii) demonstrate to our reasonable satisfaction that you have made appropriate arrangements to secure all necessary financing for the establishment of the Restaurant.

The Franchise Agreement gives you the right to establish and operate one Restaurant at a specified location within a designated geographic area.

In the Franchise Agreement, we identify some parties as your "Principals." If you are an individual and are married, your spouse must be a Principal. If you are not an individual, your Principals include all of your officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Principals, everyone who holds an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity you control, that controls you, or that is under common control with you. The Franchise Agreement is signed by us, you, and those of your Principals we designate as your Controlling Principals. In most instances, we will designate your principal equity owners and executive officers as Controlling Principals. Under our current policy, principal equity owners are those persons who own an interest, directly or indirectly, of 10% or more in you. If you have a commonly controlled affiliate that operates a Bubba's 33 Restaurant, we may also designate that affiliate as one of your Controlling Principals and may require you to sign as a Controlling Principal for your affiliate. Your Controlling Principals must sign a Controlling Principal Guaranty and Assumption Agreement agreeing to be individually bound by certain obligations in the Franchise Agreement (including covenants concerning confidentiality and noncompetition) and to personally guarantee your performance under the Agreement.

You must designate an "Operating Principal." Your Operating Principal will be the main person responsible for your business. If you are an individual, you will be the Operating Principal. If you are not an individual, your Operating Principal must maintain an equity interest of at least 10% in you. If you or your affiliates operate multiple Bubba's 33 Restaurants, you must designate the same person to serve as the Operating Principal under all Franchise Agreements between you and your affiliates and us. The Operating Principal must be empowered with the sole authority to act for you and on your behalf. Your Operating Principal must sign a Controlling Principal Guaranty and Assumption Agreement, must individually make certain covenants in the Franchise Agreement, and must personally guarantee your performance under the Agreement.

We have the right to require you to transfer to us your assets, less your liabilities, solely in exchange for shares of Class A common stock of TXRH, or to require that all the owners of your Bubba's 33 Restaurant exchange their ownership interests for shares of Class A common stock of TXRH (either transaction, "Roll-up"). Additionally, if we exercise our Roll-up right, you must enter into an Agreement and Plan of Reorganization in substantially the form as the one included in the Franchise Agreement.

<u>Competition</u>

The market for restaurant services is well-established and highly competitive. There is active price competition among restaurants, as well as competition for management personnel and for attractive commercial real estate sites suitable for restaurants. You must expect to compete with many other restaurants offering comparably priced food and beverages. Competitors may be locally-owned or large regional or national chains. The restaurant business is also affected by changes in consumer tastes, demographics, traffic patterns, and economic conditions. We intend to pursue controlled expansion into areas that can support more than one Bubba's 33 Restaurant to improve our name recognition and competitive position.

<u>Industry Specific Regulation</u>

Many of the laws, rules, and regulations that apply to business generally, such as the Americans With Disabilities Act, federal and state wage and hour laws, and the Occupational Safety and Health Act, also apply to restaurants. However, other laws, rules, and regulations have particular applicability to restaurants, and especially restaurants that offer full bar service.

You must have a liquor license permitting the sale of liquor, beer, and wine before you open the Restaurant. The difficulty and cost of obtaining a liquor license, and the procedures for securing the license, vary greatly from area to area. There is also wide variation in state and local laws and regulations that govern the sale of alcoholic beverages. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol.

The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and state and local health departments administer and enforce laws and regulations that govern menu labeling, food preparation and service, and restaurant sanitary conditions. State and local agencies inspect restaurants to ensure that they comply with these laws and regulations.

The federal Clean Air Act and various state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particulate matters, including caps on omissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

You should consider these and other applicable laws and regulations when evaluating your purchase of a franchise.

ITEM 2
BUSINESS EXPERIENCE

W. Kent Taylor – Chairman and CEO

Mr. Taylor is the founder of the Texas Roadhouse and Bubba's 33 concepts. He has served as TRDC's and TXRH's Chief Executive Officer since August 2011 and as Chairman of the Company and of the Board for TXRH since October 2004. Previously, Mr. Taylor served as the Chief Executive Officer for TXRH and TRDC from 2000 until 2004. Mr. Taylor has over 30 years of experience in the restaurant industry. He is based in Louisville, Kentucky.

Scott Colosi – President and Chief Financial Officer

Mr. Colosi was appointed President of TRDC and TXRH in August 2011 and has served as the Chief Financial officer for both entities since January 2015. Previously, Mr. Colosi served as the Chief Financial Officer for TRDC and TXRH from September 2002 until August 2011. Mr. Colosi has over 25 years of experience in the restaurant industry. He is based in Louisville, Kentucky.

Celia Catlett – General Counsel and Corporate Secretary

Ms. Catlett was appointed as TXRH's General Counsel in November 2013. She joined TXRH in May 2005 and previously served as TXRH's Associate General Counsel from July 2010 until November 2013. She has served as TRDC's and TXRH's Corporate Secretary since December 2011. Ms. Catlett has over 11 years of experience in the restaurant industry. She is based in Louisville, Kentucky.

S. Chris Jacobsen – Chief Marketing Officer

Mr. Jacobsen was appointed Chief Marketing Officer of TXRH in February 2016. Mr. Jacobsen joined TXRH in January 2003 and served as TXRH's Vice President of Marketing from December 2011 until February 2016. He has over 20 years of restaurant industry experience. Mr. Jacobsen is based in Louisville, Kentucky.

ITEM 3
LITIGATION

Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Texas Roadhouse Management Corp., Civil Action Number 1:11-cv-11732 (U.S. District Court, District of Massachusetts, filed September 30, 2011). The U.S. Equal Employment Opportunity Commission

("EEOC") filed suit against TXRH, Holdings, and Texas Roadhouse Management Corp., another TXRH subsidiary ("Management"), alleging violations of the Age Discrimination in Employment Act. The complaint alleges that applicants over the age of 40 were denied employment in certain Texas Roadhouse restaurants in bartender, host, server, and server assistant positions due to their age. The EEOC is seeking injunctive relief, remedial actions, payment of damages to the applicants, and costs. TXRH, Holdings, and Management have filed an answer to the complaint, and trial is scheduled for January, 2017. TXRH, Holdings, and Management deny liability and are vigorously defending this case; however, in view of the inherent uncertainties of litigation, the outcome of the case cannot be predicted at this time. TXRH cannot estimate amount or range of loss, if any, associated with the matter.

Other than the matter described above, there is no litigation required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee

You must pay us an initial franchise fee of $40,000. You must pay $20,000 of the initial franchise fee when you sign the Franchise Agreement, $10,000 when you begin construction of the Restaurant, and the remaining $10,000 four weeks before your Restaurant opens for business. We do not refund any part of the initial franchise fee. The initial franchise fee is used to pay administrative and other costs associated with granting the franchise.

Initial Training Fee

We do not charge a training fee for the initial training of your Operating Principal and up to five Managers for your first Restaurant, but we may do so if an entity affiliated with you has previously established a Bubba's 33 Restaurant. We expect to charge a fee for the initial training of any Operating Principal, Multi-restaurant Manager (a supervisor that you must hire when you open your second restaurant), Manager, or other personnel at your second or a successive Restaurant and for the initial training of any replacement or successor Operating Principal, Multi-restaurant Manager, or other Manager (General Manager, Kitchen Manager, and/or other person you designate as a manager). Our current initial training fee is $3,500 per person. This fee represents our cost of providing the training, including our administrative costs of making personnel available for training purposes and the cost of materials, but not including the travel expenses of our training personnel. Any initial training fee must be paid before training begins and is non-refundable. The initial training fee is charged uniformly to all franchisees under this offering, although total dollar costs of training may vary from franchisee to franchisee. You must pay all travel expenses incurred by our training personnel.

Site Evaluation Fee

We, or our designee, will provide at least one on-site evaluation for the Restaurant. Additional on-site evaluations will be conducted by us or our designee if we deem it appropriate or if you reasonably request additional on-site evaluations. For each site evaluation visit that we or our designee conducts, you will pay us our then-current site evaluation fee, plus expenses (including travel, lodging, and meals), which must be paid before the time of the site visit. This fee is charged uniformly to all franchisees under this offering, although the actual dollar amounts paid may vary depending on the number of site evaluations and the expenses we incur in performing the services. Our current site evaluation fee is $1,000 (plus expenses, including travel, lodging, and meals) which must be paid before the time of the site visit and is not refundable.

Construction Inspection Fee

We may inspect the progress of your Restaurant's construction. We may provide one on-site inspection visit at no additional charge, except that you must pay or reimburse our reasonable expenses. If we determine that additional on-site inspections are necessary or you reasonably request additional on-site inspections, you must pay us our then-current fee for the inspection and must pay or reimburse our reasonable expenses incurred performing the inspection, like the cost of travel, lodging, and meals. Our current construction inspection fee is $500, plus expenses (including travel, lodging, and meals), which must be paid before the time of the site visit and is not refundable.

Opening Crew Assistance

We provide the number of trained representatives we reasonably believe necessary to assist you in opening your Restaurant. For each representative that we send in excess of one, you are responsible for the payment or reimbursement of our representatives' expenses for such things as travel, lodging, meals, supplies, and opening T-shirts. Our current rate for opening crew coordinators is $11.00 per hour, and our current rate for opening crew trainers is $10.00 per hour, plus overtime wages and per diem. These amounts are not refundable. You must deposit $50,000 with us to be applied toward these expenses no later than 30 days before any opening crew member travels to your Restaurant. Franchisor will deduct from the deposit the costs incurred in connection with Opening Assistance. If Opening Assistance costs are less than the amount of the deposit, then we will return to you the unused portion of the deposit within 60 days of the last day Opening Assistance was provided. If Opening Assistance costs are more than the amount of the deposit, then you must pay us the amount in excess of the deposit within 30 days of receipt of notice from us. You must comply with our then-current reporting requirements relating to Opening Assistance expenses.

Marketing and Promotional Materials

We may acquire from Holdings or develop and provide you with marketing and promotional materials, including television and radio commercials. We may also place advertisements and other marketing and promotional materials for you. You may purchase these materials from us at our acquisition cost, plus a reasonable percentage to cover our administrative and other related expenses. These costs are not refundable.

All initial fees are determined uniformly for similarly situated franchisees.

ITEM 6

OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty Fee	4% of Gross Sales	On the 10th of the month for the preceding month	See Note 2 for the definition of Gross Sales. In our discretion, we may reduce or waive the royalty fee.
Local Marketing	2% of Gross Sales	Monthly	We may require you to allocate all or part of your Local Marketing expenditure to a Cooperative or to the Marketing Fund described below. If we do, we will credit the amount allocated against your Local Marketing obligation. Your total Franchisor-required payments or contributions for Local Marketing, to the Marketing Fund, to a Cooperative, or to us as a marketing fee, will not be more than 3% of your Gross Sales.
Cooperative Marketing	2% of Gross Sales, unless with our approval the members of the Cooperative agree to a larger fee	As determined by Cooperative	No Cooperatives have been established as of the date of this Disclosure Document. If established, we may require you to contribute to the Cooperative. If we do, we will credit your Cooperative contribution against your Local Marketing requirement. We may also require you to allocate your Franchisor-required Cooperative contribution to the Marketing Fund. If we do, we will credit the amount allocated against your Franchisor-required Cooperative contribution. Your total Franchisor-required payments for or contributions for Local Marketing, to the Marketing Fund, to a Cooperative, or to us as a marketing fee, will not be more than 3% of your Gross Sales. Any of our restaurants that become a member of a Cooperative will have the same voting rights as a franchisee member; we will not exercise voting control over a Cooperative unless we own a majority of the restaurants that participate in the Cooperative.

Type of Fee[1]	Amount	Due Date	Remarks
Marketing Fund	Current: 0.3% of Gross Sales; Maximum: 2.5% of Gross Sales	On the 10th of the month for the preceding month	We have established a Marketing Fund for national or regional marketing on behalf of the System. Your contribution to the Marketing Fund is currently 0.3% of Gross Sales. We may raise the rate to no more than 2.5% of Gross Sales. We may require you to allocate to the Marketing Fund all or a part of your required Local Marketing expenditure or Cooperative contribution. In any event, we will credit the payment of your Marketing Fund contribution against your required Local Marketing and Cooperative obligations. Your total Franchisor-required payments or contributions for Local Marketing, to the Marketing Fund, to a Cooperative or to us as a marketing fee, will not be more than 3% of your Gross Sales.
Marketing Fee	0.5% of Gross Sales	On the 10th day of the month for the preceding month	We may require you to pay us a marketing fee for market research and promotional and marketing materials. Your total Franchisor-required payments or contributions for Local Marketing, to the Marketing Fund, to a Cooperative, and/or to us as a marketing fee, will not be more than 3% of your Gross Sales. We are not currently charging this fee, but may decide to activate the requirement at any time.
Marketing & Promotional Materials	Currently based on our cost of acquisition, plus reasonable cost to cover our administrative and other related expenses	When billed	We may acquire or develop and provide you with marketing and promotional materials to use in your Local Marketing. Currently, we expect to acquire from Holdings materials developed for use by the Company-owned Restaurants. We may also place the marketing materials for you.
Interest	Lesser of 18% per annum or highest rate allowed by applicable law	On demand	Interest may be charged on all overdue amounts.
Gift Card Sales Fee	Currently, 5% of redeemed gift cards. Maximum charge up to the actual cost of the third-party retailer fees.	Monthly	This fee is to cover the amounts that third party retailers charge us for stocking our gift cards in their stores.
Initial Management Training	Currently, $3,500 per person	Before training	We do not charge a fee to train the Operating Principal and up to 5 Managers for your first Restaurant, unless one of your affiliates has previously established a Bubba’s 33; then, we may charge a fee. We expect to charge a

Type of Fee[1]	Amount	Due Date	Remarks
			fee to train the Operating Principal, Multi-restaurant Manager, Managers, or other personnel at any additional Restaurants you establish and to train any replacement or successor Operating Principal, Multi-restaurant Manager, or other restaurant personnel at any of your Restaurants. You must pay all expenses you and your personnel incur at any training program like the cost of travel, lodging, meals, and wages. [Do we need to mention the travel expenses of the training personnel here?]
Service Coach	Markets with 0-10 restaurants, $7,500 per restaurant, annually Markets with 11 or more restaurants, $6,500 annually	Monthly	Service Coaches lead training and development, including coordination of new restaurant openings. They are assigned to markets with franchise and company locations.
Product Coach	Markets with 0-10 restaurants, $7,500 per restaurant annually Markets with 11 or more stores, $6,500 annually	Monthly	Product Coaches monitor food safety, sanitation, and recipe standards.
Certification/ Retraining Fees	You must pay our associated costs and charges for wages and meal expenses (currently, $11 per hour for Coordinators and $10 per hour for Trainers, plus overtime wages and per diem) for our certification personnel, plus expenses per Restaurant.	On certification	We may approve you to provide certain training if the Restaurants you operate are in compliance with our operational standards and your trainers meet our requirements. Before we approve you to provide training, we will conduct an evaluation of your Restaurants, which may include a food and beverage audit and training assessment, and will certify those persons you have designated as trainers. Our approval may be revoked at any time if we determine that your Restaurants do not continue to meet our operational standards or if your trainers do not continue to meet our training requirements. If we do approve you to provide training, we may also require you to have any person you train tested by us. If we determine that any such person has not been adequately trained, we may retrain that person and charge you a retraining fee.

Type of Fee[1]	Amount	Due Date	Remarks
Additional Training	At our option, a reasonable fee that will be determined for each program based on our costs of providing the training, creating materials, including our costs of providing instructors and training materials	After additional training	We may charge a fee for additional training programs and seminars, which may include Operational, administrative, POS, and computer training. You must pay all expenses you and your personnel incur at any training program like the cost of travel, lodging, meals, wages, and materials.
Remedial Assistance	You must pay our associated costs and charge for wages and meal expenses (currently, $11 per hour for Coordinators and $10 per hour for Trainers, plus overtime wages and per diem) for our representatives providing on-site remedial assistance	When billed	You must pay for remedial assistance if you request it or if we believe it is appropriate. Associated costs include our representatives' cost of travel and lodging.
Transfer Fee	$3,500 or any greater amount necessary to reimburse us for our reasonable costs and expenses, including reasonable legal and accounting fees, in reviewing the transfer application	Submitted with transfer application	We do not charge a fee if an individual or partnership franchisee transfers its rights to a corporation controlled by the same interest holders.
Securities Offering Fee	$3,500 or any greater amount necessary to reimburse us for our reasonable costs and expenses, including reasonable legal and accounting fees, in reviewing the proposed securities offering	When billed	You may not conduct a public offering of your securities. You may offer your securities in a private offering with our consent. This fee covers our cost of reviewing your proposed offering materials. Our review is limited to the way the offering materials treat the subject of our relationship with you.

Type of Fee(1)	Amount	Due Date	Remarks
Renewal Fee	The greater of 30% of our then-current franchise fee or $15,000, plus all amounts necessary to reimburse us for our reasonable out-of-pocket costs and expenses associated with renewing, including reasonable legal and accounting fees	On signing renewal franchise agreement	You must give us at least 6 months' notice to renew. Among other things, we may also require you to remodel to our then-current standards and sign our then-current agreement.
Background Checks (which include credit reports, criminal reports and motor vehicle reports) and Personality Assessments	Approximately $45 -$100 per background check; $100 per personality assessment	When billed	We require that you conduct background checks on all of your management-level personnel. We also require that you have your management-level personnel undergo personality assessments that are conducted by an assessment company we select. You must furnish us a copy of all reports you receive, upon request.
Inspection and Testing	Cost of inspection, if applicable, and cost of test	When billed	We may require you to pay us or an independent laboratory for the cost of a test on samples of your products and supplies if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications. You must also pay the cost of inspection and testing under our supplier approval procedures. (See Item 8.)
Indemnification	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us. (See Item 9.)
Audit Fee	Cost of audit	When billed	Payable only if we find, after an audit, that you have understated any amount owed to us by more than 2%.
Software Fees	To be determined	To be determined	We may charge a reasonable fee if we license any proprietary computer software to you, as well as a reasonable fee for upgrades, enhancements and replacements of that proprietary computer software. Licensing and maintenance fees for any third-party software, including but not limited to Point-of-Sale and back office applications, are to be paid by you and will be billed on a regular basis. If we do not license software to you, you will be billed by a third party provider.
Monthly IT Support Fee	$290	When billed	

Type of Fee[1]	Amount	Due Date	Remarks
Insurance Fee	A reasonable amount based on our expenses	When billed	If you fail to maintain the required insurance, we may obtain it for you. If we do, we will charge you a fee, plus the cost of the insurance.
Employment Fee	Employee's compensation for the 6-month or shorter period (between 4 to 6 months) immediately before his or termination of employment with his or former employer	Payable on employment of the employee	If you hire one of our Bubba's 33 managers or trainers, or a Bubba's 33 manager or trainer employed by one of our affiliates or franchisees, you must compensate the former employer. Consent to the employment of company managers or trainers can only be given by Kent Taylor, Scott Colosi, Doug Thompson, or Mark Simpson. It is our policy that consent will be given only when an employee's replacement has been hired, trained, and put in the position. This process typically takes 180 days.
Opening Training Materials	$2,000 or more, based on additional required training materials	When billed	We may change the type and amount of training materials at our discretion.
Opening Trainer T-shirts and Training Gifts	$750 or more, based on quantity	When billed	Must be approved by us.
Force Majeure	Minimum Fee	When billed	Payable during relocation or reconstruction of the Restaurant after a force majeure event.
Costs and Attorneys' Fees	Will vary	As incurred	You must pay our costs of enforcement if you do not comply with the Franchise Agreement.
Remodeling Requirements	Varies according to need	On or before the 5th anniversary of the date the Restaurant opens or at any other time that a majority of company-owned Bubba's 33 Restaurants are remodeling	We may require you to make improvements to modernize the Restaurant to reflect our current standards and specifications. Payments will be made to the contractors and other suppliers who perform the work.
Copyright License Expense	Varies according to third party license fees assessed		The Franchise Agreement requires you to obtain copyright licenses for the recorded music, videos, and other broadcast entertainment we require you to play in your Restaurant. If you fail to obtain the copyright licenses, or if you request us to obtain them for you, we will obtain the copyright license for you, and we will pay the license expenses directly to third party licensing organizations (like ASCAP, SESAC, and BMI) on your behalf. You must reimburse us your prorata share of the aggregate fee for all System

Type of Fee[1]	Amount	Due Date	Remarks
			Restaurants upon receipt of an invoice from us.
Liquidated Damages	$1,000 per violation for operational violations and $200 per violation for financial and other reporting violations	5 days following notice	If you repeatedly violate our requirements in the Manuals, we may assess liquidated damages. We may also pursue other remedies. We may also assess liquidated damages if your required financial or other required reports are more than 30 days past due.
Inspection and Post-Termination/ Post-Expiration Fee	A reasonable fee based on our expenses	On demand	If an inspection reveals deficiencies you fail to correct, we may (but need not) correct them for you and charge a fee for our expenses. If you fail to de-identify after the Franchise Agreement terminates or expires, we may make the necessary changes at your expense.

Notes:

(1) All fees and expenses described in this Item 6 are non-refundable. Except as otherwise indicated in the preceding chart, all fees and expenses are imposed uniformly by, and are payable to, us. You must let us withdraw the royalty fee and your Marketing Fund contribution from your designated bank account by electronic fund transfer ("EFT"). You must maintain operating capital in your a designated bank account equal to three months of operating expenses. Except as specifically stated above, the amounts given may be subject to increases based on changes in market conditions, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments over which we have control.

(2) "Gross Sales" means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant, whether for cash or credit, and regardless of collection in the case of credit. Proceeds from the sale of coupons, gift cards, gift certificates, or vouchers will not be included in Gross Sales when the coupons, gift cards, gift certificates, or vouchers are sold; rather, the retail price of services and products purchased with coupons, gift cards, gift certificates or vouchers will be included in Gross Sales during the period in which the coupon, gift card, gift certificate, or voucher is redeemed.

Gross Sales does not include:

(a) Sums representing sales taxes collected directly from customers, based on present or future federal, state, or local laws, that you collect in the operation of the Restaurant, and any other tax, excise or duty levied or assessed against you by any federal, state, municipal, or local authority, based on sales of specific merchandise sold at or from the Restaurant, if the taxes are actually transmitted to the appropriate taxing authority;

(b) Tips or gratuities paid directly to your employees by customers;

(c) Returns to shippers or manufacturers;

(d) Proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for resale at the Restaurant or not having any material effect on the ongoing operation of the Restaurant;

(e) The value of any meals you provide to your employees as an incident to their employment, except to the extent you receive payment for the meals; and

(f) Any proceeds resulting from the sale of the Restaurant or your rights under the Franchise Agreement.

We may authorize other items to be excluded from Gross Sales. We may also revoke or withdraw an exclusion at any time in writing.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low – High	Method of Payment	When Due	To Whom Payment is Made
Franchise Fee (1)	$40,000	(1)	(1)	Us
Leasehold/Building Improvements (2)	$1,800,000 to $2,500,000	As Arranged	As Invoiced	Landlord/ Independent Contractors
Architectural/ Engineering/ Site Evaluation (3)	$150,000 to $195,000 (2% - 2 ½ % of Leasehold/Building Improvements)	As Arranged	As Invoiced	Independent Contractors
Builders Risk and OCP Insurance	$3,000 to $5,000	As Arranged	As Invoiced	Independent Carrier
Performance Bonds (4)	$580,000 to $900,000	As Arranged	Start of Construction	Independent Carrier
Furniture, Décor, and Fixtures (5)	$275,000 to $315,000	Lump Sum or Negotiable	As Invoiced	Vendors
Equipment (6)	$1,200,000 to $1,370,000	Lump Sum or Negotiable	As Invoiced	Vendors
Signs (7)	$120,000 to $170,000	Lump Sum or Negotiable	As Invoiced	Independent Vendors
Insurance (8)	$40,000 to $100,000	As Arranged	As Invoiced	Independent Carrier
Initial Inventory (9)	$38,500 to $62,000	As Arranged	As Invoiced	Independent Vendors
Supplies (10)	$3,500 to $10,000	Lump Sum or Negotiable	Vendor’s Terms/As Incurred	Vendors
Smallwares (11)	$45,000 to $80,000	Lump Sum or Negotiable	Vendor’s Terms/As Incurred	Suppliers
Computer Hardware/ Software; POS System/Network Cabling Fees (12)	$50,000 to $80,000	Lump Sum or Negotiable	Vendor’s Terms/As Incurred	Suppliers
Software Licensing	$20,000 to $25,000	Lump Sum or Negotiable	Vendor’s Terms/As Incurred	Suppliers

Type of Expenditure	Amount Low – High	Method of Payment	When Due	To Whom Payment is Made
Marketing and Promotional Materials (13)	$1,000 to $5,000	Cash	As Incurred	Independent Vendors/Us
Training Costs/ Opening Assistance (14)	$65,000 to $70,000	Cash	As Needed 45 days before opening	Independent Vendor/Employees
Licenses, Permits, Incorporation (15)	$13,000 to $90,000	Cash	As Incurred	Various Agencies
Liquor Licenses (16)	$2,000 to $500,000	Cash	As Incurred	Various Agencies
Utility and Telephone Deposits (17)	$5,000 to $50,000	Cash	As Incurred	Landlord/Utilities/ Telephone
Other Pre-opening Costs Not Listed Above (18)	$600,000 to $750,000	As Arranged	As Incurred	Employees and Various Suppliers
Additional Funds (3 months) (19)	$442,000 to $641,500	As Arranged	As Incurred	Employees and Various Suppliers
TOTALS (20)	$5,528,000 to $8,098,500			

Notes:

(1) The initial franchise fee is described in Item 5. The preceding chart assumes that you are not an employee of Strategic.

(2) The typical Bubba’s 33 Restaurant contains approximately 7,500 to 9,000 square feet. Restaurants may be freestanding or located in commercially zoned shopping centers. The estimates provided are for the renovation of a free-standing restaurant site or for the build-out of a shopping center shell or for the construction of our prototype building on leased or owned land. The cost of leasehold improvements will be affected by various factors like the location of the Restaurant and local market conditions. The estimates assume that the landlord will provide connections to adequate electrical, gas, water, and sewage service. They do not include any allowance for landlord contributions to leasehold improvements. If your landlord contributes to the cost of finish-out, total leasehold improvement costs will be reduced. These figures are our best estimate based on rates that we have experienced. These estimates may vary substantially based on your ability to negotiate with your landlord or general contractor, as well as on local commercial leasing and labor rates, the availability and prices of materials, and other local conditions. These amounts do not include the cost of acquiring land, which varies widely across different parts of the country. You should contact a real estate professional such as a broker or appraiser to determine local costs of land. These amounts also do not include the cost of site improvements, which vary widely according to specific site conditions and local requirements. You should contact a contractor or engineer for these costs once you have identified a site for a Restaurant. These amounts also do not include impact fees which may be assessed by local governing authorities. You should contact the local municipality for these costs once you have identified a site for a Restaurant.

(3) Includes the cost of a mandatory Phase I environmental audit.

(4) These amounts are for a performance bond on building improvements only, although the actual performance bond will also cover the cost of site development.

(5) These amounts include the cost of the furniture, televisions, blinds, fixtures, and decor items required for the Restaurant.

(6) This includes kitchen and bar equipment, TVs, sound system, and the possible addition of new coolers, freezers, hoods, safe, water heater, grease guard, and fire alarm system.

(7) These amounts represent your cost for interior and exterior signage. The cost of signage may vary significantly depending on the location of the Restaurant and market conditions.

(8) You must obtain the insurance coverage described in the Franchise Agreement. Your cost of insurance may vary depending on several factors like the insurer, the location of the Restaurant, the value of the equipment and improvements, and your claims history.

(9) We estimate that this amount will cover inventory needs for food, beverages and condiments for approximately the first two weeks of operations (which includes the training week and first week open to the public).

(10) We estimate that this amount will cover the cost of your stationery, business cards and paper goods for approximately the first month of operation.

(11) This amount includes your initial order of pans, utensils, dishes and menus.

(12) You will need the Aloha Table Service point of sale system (POS) and required modules, available through NCR, networked on a backoffice server and the front-of-the-house order entry terminals. The database for the Aloha POS system will be created and administrated by the IT Help Desk, in line with the company-wide database. Additionally, you must have a backoffice manager computer for all applications outside of the POS system.

(13) These amounts include your cost of opening marketing and promotional materials. We may acquire and provide you with marketing and promotional materials developed for use by Company-owned Restaurants. We must approve all marketing items, methods, and media you use, including all proposed coupon offers.

(14) We provide initial training for your Operating Principal and the Managers of your first Restaurant at no additional charge, but have the right to charge a fee if one of your affiliates has previously established a Bubba's 33 Restaurant. This chart assumes the Restaurant is your first and that you have no affiliate whose operations would entitle us to charge a fee for initial training. Therefore, these estimates are for the expenses you or your employees incur in the initial training program, like travel, lodging, meals, and wages. These costs will vary depending upon your selection of salary levels, lodging and dining facilities, and mode and distance of transportation. These estimates also include the travel costs and expenses of the opening support team members for which you are responsible and the daily fee (in an amount equal to their wages and meal expenses) for all members of the opening team in excess of one.

(15) This estimate includes environmental impact fees. You must obtain permits like the following: food service permit, health permit, sales tax permit, building permit, sign permit, and certificate of occupancy permit. The exact type and cost of these permits will likely vary from city to city.

(16) Based solely on the historical experience of Company-owned Bubba's 33 Restaurants in those states in which we currently have operations, we estimate the cost of your liquor license to range from approximately $2,000 to $700,000. This number may vary depending upon your location, local laws, and other circumstances applicable to your situation. Some areas may not allow liquor sales, and some states may only have liquor licenses available by purchase from existing license holders.

(17) These amounts include the estimated cost of your utility and telephone deposits.

(18) These amounts include the estimated cost of salaries for kitchen and service employees and the related taxes and insurance, supplies for cleaning and safety, uniforms, utilities, miscellaneous out of pocket items, employee relocation, outside services, professional fees, recruiting fees, and laundry services. Also included are costs for occupancy expense, if applicable.

(19) In addition to the initial franchise fee and other initial costs, you will need additional funds to operate your Restaurant during the start-up phase. We have provided estimates of cash reserves (excluding post opening operating deficits, if any) needed for your security deposit and working capital, employee background checks and personality assessments, food, beverage, and labor costs (including salaries for management and hourly employees and bonuses for management employees), and expenses for utilities, supplies, outside services, uniforms, marketing materials, occupancy expense, credit card charges, e-check processing fees, equipment rent, general liability insurance, and professional fees during the start-up phase. These amounts do not include any estimates for debt service or living expenses if you are not the manager. We estimate the start-up phase to be three months from the date the Restaurant opens for business. You must pay the royalty, marketing, and other related fees described in Item 6 of this Disclosure Document. These figures are estimates, and we cannot assure you that you will not have additional expenses starting the Restaurant. Your actual costs will depend on factors like your management skills, experience, and business acumen; local economic conditions; the local market for the Restaurant's services and products; the prevailing wage rate and competition. You should calculate your estimated expenses for these items based on the anticipated costs in your market and consider whether you will need additional cash reserves.

(20) We relied on our experience and that of Holdings and Strategic to compile these estimates. You should review these figures carefully with your business advisor.

Except as specifically stated above, none of the amounts stated above are refundable. Further, except as otherwise stated above, the amounts may be subject to increases based on changes in market conditions, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments over which we have control.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

So that the quality of the products and services you offer under our Marks is consistent, you must purchase or lease items that meet our specifications and standards. Our standards and specifications are in our Manuals and other written materials. We modify standards (including those for suppliers) and specifications by revisions to our Manuals and other periodic written directives to you. You generally have no obligation to purchase or lease from us or from our affiliates any of the products, services, supplies, fixtures, equipment, inventory, or real estate used in establishing or operating the Restaurant. However, we may require that you purchase certain items from us or from suppliers we designate or approve. We and/or our affiliates, Holdings and Strategic, are approved suppliers for some of these items, as further described below, but are not the only approved suppliers. Even if we do not require you to use an approved supplier, we may give you information about suppliers we have used. For example, if you ask, we will give you a list of the architects and engineers our affiliates currently use in the construction and remodeling of company-owned Restaurants, but in giving you this list, we are not promising or guaranteeing that their services will be the best for you. None of our officers own any interest in any of our suppliers other than by virtue of ownership in our publicly traded parent company, Texas Roadhouse, Inc., which wholly owns our affiliated suppliers, Holdings, and Strategic.

Signage, Equipment, Furniture, Fixtures, Inventory, and Related Items; Supplier Approval

You must comply with our standards and specifications for all food and beverage items, special recipe and proprietary products (including logoed merchandise), ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware and software), decor items, signs, catering or delivery vehicles, and other products you use or offer for sale at the Restaurant. We may require one or more of these items to be purchased exclusively from us or our affiliate or from an approved third-party supplier.

In general, suppliers we approve are those who demonstrate, to our continuing reasonable satisfaction, their ability to meet our standards and specifications. All suppliers we approve must have adequate quality controls and the capacity to supply your needs promptly and reliably over an extended period of time. We have to approve any supplier in writing before you make any purchases from that supplier. If you wish to purchase, lease, or use any items from a supplier we have not approved, you must submit a written request for approval to us, or must ask the supplier to do so. Our representatives must be permitted to inspect the supplier's facilities, and we may require that samples from the supplier be delivered to us or to an independent laboratory for testing. You or the supplier must pay the cost of the inspection and the cost of the test. This procedure does not obligate us to approve any particular supplier. However, we will notify you within approximately 30 business days after we complete our inspection and evaluation process of our approval or disapproval of any proposed supplier. We may reinspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet our standards.

Special Recipe and Proprietary Products

We have acquired from Holdings and/or Strategic the right to use in the Restaurant certain products that are prepared from highly confidential secret recipes. These products may include, but are not limited to, various seasonings, mixes and sauces. You must purchase all of your requirements for these items and other proprietary items we may designate from us or a supplier we designate. Currently, we have designated several unaffiliated manufacturers and/or distributors who supply these products to Bubba's 33 Restaurants.

We may develop or acquire rights in other special recipe or proprietary products in the future. Because this type of product is so significant to the System, and because quality and uniformity of production are so important, it is to our mutual benefit that we closely control the production and distribution of these products. Therefore, if they do become a part of the System, you must use these products and must purchase them only from us or a source we designate.

Logoed Merchandise

All use of our logos on any merchandise or materials must be pre-approved by us. You must purchase items identifying the System (like T-shirts, hats, mugs, sweatshirts, and pre-packaged food products bearing our Marks) only from suppliers we designate or approve.

Proprietary Computer Software

You must use only approved and certified software on your point of sale ("POS") system terminals, back office PC, and Server. You must purchase a support agreement for each piece of POS and back of house ("BOH") software installed. You must keep all original software licenses (Operating System, AKM, POS, BOH, Host System, MS Office, Virus Detection, and e-mail client) on-site, in a safe place, and readily available at all times. Failure to do so may result in the mandatory re-purchase of the misplaced software.

You must license any back office software from us or one of our certified vendors and execute a license agreement like the Software License Agreement that is Attachment E to the Franchise Agreement.

We will require you to purchase any upgrades or enhancements to the software that we develop. We expect the cost of any software and of any upgrades and enhancements to the software to be insignificant in relation to your purchases/leases for the establishment and operation of the Restaurant.

Computer Systems

You must install and maintain the computer hardware and software (including, without limitation, POS software) and video monitoring system we require for the operation of the Restaurant and must follow the related procedures that we specify in the Manuals or otherwise in writing. Among other things, we may require you to install and maintain systems that permit us to independently access and retrieve electronically any information stored in your computer systems, including, without limitation, information concerning Gross Sales, at the times and in the manner that we may specify. You may be required to enter into software license agreements, support agreements, or other computer system-related agreements with us or our affiliates or with third-party providers, and you must pay all associated license, maintenance, and support fees. All information contained in and collected by any required computer program is our sole and exclusive property.

Marketing and Marks

All marketing and promotional materials, signs, decorations, paper goods, menus, forms, and stationery that you use in the Restaurant or on any Restaurant catering or delivery vehicle (if authorized), and other items we designate must bear our Marks in the form, color, location, and manner we require. In addition, you must conduct all your marketing and promotion in any medium in a dignified manner. The marketing and promotional materials you use (including all television, radio, billboard, newsprint, direct mail, and Internet marketing and Web pages) must conform to our standards and requirements in the Manuals and our other writings. You must get our approval before you use any marketing and promotional materials and plans, and before you extend any coupon offers, if we have not prepared them or approved them during the 12-month period before you propose to use them.

We or our affiliates, Holdings and Strategic, may also offer you additional marketing and promotional materials developed for use by the Company-owned Restaurants at the cost of production (including creative cost) of these materials, plus a reasonable percentage to cover our administrative expenses.

We estimate that a majority of your expenditures for leases and purchases in establishing your Restaurant and operating your Restaurant on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

Electronic Communication Systems

We have established e-mail communications with our franchisees' computer systems. You must install and maintain any equipment, make any arrangements, and follow any procedures we determine to be necessary (including the establishment and maintenance of an Internet access account, phone lines, video surveillance, contingent network services, and the daily transfer of data via the Internet) to permit us to access and retrieve information stored in POS system or on your back office computer systems (including information concerning the Gross Sales of the Restaurant and other determined key performance indicators) electronically, by telecommunication, or any other method we designate.

Recorded Music, Music Videos, and Other Broadcast Entertainment

You may play only the kind of music, videos, television programs, movies, sports events, and other broadcast entertainment we specify in the Manuals. Currently, Bubba's 33 Restaurants feature a variety of music and music videos. You may need to obtain the copyright licenses necessary for you to play the music, videos, television programs, movies, and sports events we require. If you fail to do so, or if you ask us to do so, we will obtain the copyright licenses for you and charge you for the licenses.

Equipment and Other Personal Property Leases

You must purchase and install at the Restaurant all fixtures, furnishings, equipment (including computer hardware and software), decor items, signs, catering or delivery vehicles and related items that we require. If you lease any of the described property from a third party, we must approve the lease in writing before it is signed. We will not approve the lease unless it allows you to assign your interest to us or one of our affiliates if the Franchise Agreement terminates or expires or if we acquire your interest under Section 14. of the Franchise Agreement and prohibits the lessor from imposing an assignment or related fee. Unless we first give our written consent, you cannot install or have installed on the Restaurant premises any items like those listed above or any games, vending machines, or other items that we have not approved as meeting our standards and specifications.

Site Selection and Construction

You must locate a site for the Restaurant that satisfies our site selection guidelines, obtain our written approval of the site before you acquire it, and obtain our consent to any contract of sale or lease for the Restaurant premises before you sign it.

We will not approve any lease that is contrary to or inconsistent with the Franchise Agreement. Also, we, you, and the landlord must sign a rider to the lease (or, in our discretion, another writing containing the same terms and conditions) that provides substantially as follows: (i) During the term of the Franchise Agreement, the premises will only be used for the operation of the Restaurant; (ii) The landlord consents to your use of our Marks and the System's signs, decor items, color schemes and related components at the premises; (iii) The landlord will give us copies of all letters and notices sent to you about the lease and the premises, at the same time that these letters and notices are sent to you; (iv) We may enter the premises to make any modification necessary to protect the System and Marks or to cure any default under the Franchise Agreement or the lease, without being guilty of trespass or any other crime or tort; (v) If the default is not cured at the expiration of the cure period, the landlord must give us notice and we will have the right to cure the default before the landlord exercises any of its remedies arising as a consequence of the default; (vi) You will not assign the lease or renew or extend it unless we first give you our written consent; (vii) If we cure your default under the lease or notify the landlord of the termination of the Franchise Agreement, upon our request, the landlord must exercise its rights to remove and evict you from the premises and we will have the option, upon written request to landlord, to assume the terms, obligations and conditions of the lease for the remainder of the term, and any applicable renewal options;(viii) The landlord and you will not change the lease in any way that could materially affect any of these requirements unless we first give you our written consent; and (ix) The terms of the lease rider will supersede any conflicting terms of the lease. The lease rider must also provide that: (a) You may assign the lease to us or our affiliate on the expiration or termination of the Franchise Agreement, and the landlord will consent to this assignment and will not charge any assignment fee or accelerate rent under the lease; (b) If there is an assignment, we or our affiliate will agree to assume all of your obligations remaining under the Lease from the date of assignment, as well as your occupancy rights, and the right to sublease the premises, for the remainder of the lease term;(c) Landlord will permit the assignment to another Bubba's 33 franchisee without landlord's consent and without any fee or cost requirement.

Vehicles

Any vehicle you use in the operation of the Restaurant must meet our standards for appearance and must have the ability to satisfy the requirements imposed on you under the Franchise Agreement. You must place the signs and other decor items we require on the vehicle and keep it clean and in good working order at all times. You cannot use anyone to operate the vehicle who is under 18 or who does not have a valid driver's license and insurance in the state where you provide services. You must require each vehicle operator to comply with all laws, regulations, and rules of the road and use due care and caution in operating and maintaining the vehicle.

Insurance

The following is a summary of the minimum insurance coverages required under the terms of the Franchise Agreement to operate a Bubba's 33 Restaurant. Other insurance not specifically listed below may also be required by the state and/or locality in which the Restaurant is located.

All insurance is to be placed with an insurance company with a minimum financial size category of VI, and a current policyholder minimum rating of "A-" as assigned by A.M. Best & Co., Inc.

All policies, except Worker's Compensation, must name us and Strategic, our and their parent, affiliates, successors, and assigns, and the respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them as additional insureds and must include a waiver of subrogation in favor of all parties.

Type	Amount
Commercial General Liability Insurance	Single limit - $1,000,000 for Bodily Injury/Property Damage Per Occurrence/$2,000,000 Aggregate
Liquor Liability Insurance	Single limit - $1,000,000 Per Occurrence/$2,000,000 Aggregate

Type	Amount
Employee Benefits Liability	Minimum - $300,000 Per Occurrence/$300,000 Aggregate
Property Insurance	Amount adequate to replace property covered
Umbrella Liability Insurance	$10,000,000 for employers liability $10,000,000 over basic Comp./GL, including Liquor Liability $10,000,000 - Products/Completed Operations Aggregate Four or more common-owned Restaurants: General Aggregate coverage shall be increased by $1,000,000 for each Restaurant. Nine or more common-owned Restaurants: General Aggregate coverage shall be increased to a minimum of $15,000,000.
Automobile Liability	Single limit - $1,000,000 for Bodily Injury/Property Damage
Employment Practices Liability ("EPL")	One to three common-owned Restaurants: $2,000,000 Per Occurrence and $3,000,000 aggregate (i.e., third-party discrimination) Four or more common-owned Restaurants: Per Occurrence and General Aggregate coverage must be increased by $1,000,000 for each Restaurant. All EPL Policies must include third-party coverage. "Common-owned" means all restaurants owned by you and your affiliates.
Business Income Coverage	Amount sufficient to reimburse Franchisee for all direct and indirect loss of income and charges and costs arising out of all named perils insured against by Franchisee's policies of property insurance for at least 180 days.
Worker's Compensation Insurance	Amounts provided by applicable laws
Cyber Coverage	Single limit - $1,000,000, including 100,000 Notifications
Other	As required by the state or locality where the Restaurant is located

Purchasing Arrangements

Currently, there are no purchasing or distribution cooperatives. We may require you to purchase certain items from approved suppliers. We and our affiliate, Strategic, negotiate purchase arrangements, including price terms, with certain suppliers on behalf of the System. In doing so, we seek to promote the overall interests of the franchise network and our interests as the franchisor, by, among other things, managing pricing on high volume products. These arrangements may provide for the payment of sponsorship fees that Strategic uses to offset marketing costs.

Strategic and Holdings permit franchisees to purchase minor interior decor items, memorabilia, opening trailer packages, and other similar items through Strategic to secure special pricing or delivery terms. All items are provided at cost plus a markup on certain items to cover third-party administrative charges paid by Strategic. Shipping charges are passed through at cost. During the 2015 fiscal year, neither we nor Holdings nor Strategic received any revenues or other material consideration based on leases or purchases made by Bubba's 33 franchisees.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

	Obligation	Section in Agreement	Item in Disclosure Document
a.	Site selection and acquisition/lease	Section 3	Items 8 and 11
b.	Pre-opening purchases/leases	Sections 3 and 6	Items 5, 6, 7, 8, and 11
c.	Site development and other pre-opening requirements	Section 3	Items 1, 5, 8, and 11
d.	Initial and ongoing training	Section 6, 7, and 8	Items 5, 6, and 11
e.	Opening	Sections 3 and 5	Items 7 and 11
f.	Fees	Sections 5	Items 5 and 6
g.	Compliance with standards and policies/Manuals	Sections 8, 9, 12, 13	Items 8, 11, 14, and 16
h.	Trademarks and proprietary information	Sections 10 and 11, Attachment E (Confidentiality Agreement and Noncompetition Agreement); Confidentiality Agreement.	Items 11, 13, 14, and 15
i.	Restrictions on products/services offered	Section 8	Items 8 and 16
j.	Warranty and customer service requirements	Section 8	Items 8 and 16
k.	Territorial development and sales quotas	None	N/A
l.	Ongoing product/service purchases	Section 8	Items 6 and 8
m.	Maintenance, appearance and remodeling requirements	Sections 3, 8, and 15	Items 8 and 11
n.	Insurance	Section 13	Items 7 and 8
o.	Advertising	Section 9	Items 5, 6, 8, and 11
p.	Indemnification	Section 16	Item 6
q.	Owner's participation/ management/staffing	Sections 7, 8, 14, and 19	Items 1, 11, and 15
r.	Records and reports	Sections 3, 5, 7, 9, and 12	Item 6
s.	Inspections and audits	Sections 3, 6, 8, 12, and 19	Items 6, 8, and 11
t.	Transfer	Section 15	Items 6 and 17
u.	Renewal or Extension of Rights	Section 4	Items 6 and 17
v.	Post-termination obligations	Section 19	Items 6 and 17

	Obligation	Section in Agreement	Item in Disclosure Document
w.	Noncompetition covenants	Section 11 and Attachment E (Confidentiality Agreement and Noncompetition Agreement)	Item 17
x.	Dispute resolution	Section 20	Item 17
y.	Agreement and Plan of Reorganization or Exchange	FA Section 14.I. and Exhibit A to Franchise Agreement	Items 1 and 17

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Obligations: Before you open your Restaurant we or our designee will:

1. Give you our written site selection guidelines and the site selection assistance we deem advisable. (Franchise Agreement, Section 2.A. and Section 5.A.)

2. Provide the on-site evaluations we believe are necessary for site approval. (Franchise Agreement, Section 2.A. and Section 5.B.)

3. Loan you a set of prototype architectural and design plans for a Restaurant or, in our discretion, specifications for the Restaurant. You must adapt these plans at your expense for construction or remodeling of the Restaurant, or prepare architectural and design plans for the Restaurant that meet our specifications. (Franchise Agreement, Section 2.E. and Section 5.C.)

4. Loan you one set of the Manuals. We may revise the contents of the Manuals at any time. (Franchise Agreement, Section 5.D.)

5. In our discretion and at a reasonable cost, license to you certain computer software to use in the Restaurant, under the Software License Agreement (Attachment E to the Franchise Agreement). If we license this computer software to you, we will also make available to you, at a reasonable cost, any upgrades, enhancements, or replacements to the software that we develop. (Franchise Agreement, Section 5.E.)

6. Visit the Restaurant for Quality Inspections from time to time as reasonably determined by the Franchisor. (Franchise Agreement, Section 5.F. and Section 7.E.(6))

7. At our discretion, provide marketing and promotional materials we acquire or develop for local marketing. We may charge a reasonable amount for these materials. We also have the right to review and approve all marketing and promotional materials that you propose to use. (Franchise Agreement, Section 5.G.)

8. At our discretion, provide advice and written materials concerning techniques of managing and operating the restaurant from time to time developed by Franchisor, including new developments and improvements in restaurant equipment and food products and the packaging and preparation thereof. (Franchise Agreement, Section 5.H. and Section 8.)

9. At our discretion, make available to you for resale to your customers certain merchandise identifying the System, like pre-packaged food products and Bubba's 33 memorabilia, at a reasonable cost to you. (Franchise Agreement, Section 5.I.)

10. Provide you a list of approved and designated suppliers. (Franchise Agreement, Section 5.J.)

11. Provide an initial training program for your Operating Principal, Multi-restaurant Manager, and Managers. (Franchise Agreement, Section 5.K. and Sections 6.F.(1)-(3))

12. For the opening of the Restaurant, provide on-site assistance for a period of from 15 to 20 days. (Franchise Agreement, Sections 5.L. and 6.F.(4).)

Post-Opening Obligations: During the operation of your Restaurant, we or our designee will:

1. Visit the Restaurant and evaluate its products and services at times we reasonably determine. (Franchise Agreement, Section 5.F. and Section 7.E.(6))

2. Provide marketing and promotional materials we develop for local marketing at a reasonable cost to you. We have the right to review and approve all marketing and promotional materials that you propose to use. (Franchise Agreement, Section 5.G. and Section 8.)

3. Give you advice and written materials on the techniques of managing and operating the Restaurant, including new developments and improvements in restaurant equipment, food products, packaging, and preparation. (Franchise Agreement, Section 5.H.)

4. At our discretion, make available to you for resale to your customers certain merchandise identifying the System, like pre-packaged food products and Bubba's 33 memorabilia, at a reasonable cost to you. (Franchise Agreement, Section 5.I.)

5. Give you updated lists of approved and designated suppliers as we deem appropriate. (Franchise Agreement, Section 5.J.)

6. Provide additional training programs, seminars, meetings and other related activities which we may require your Operating Principal, Multi-restaurant Manager, Managers, and other Restaurant personnel to attend. (Franchise Agreement, Section 6.F.(2))

7. At your reasonable request, or as we find appropriate, provide certain on-site remedial training for your Restaurant personnel (Franchise Agreement, Section 6.F.(5))

8. Establish and administer the Bubba's 33 Marketing Fund and/or marketing cooperatives. (Franchise Agreement, Section 8.C. and Section 8.D.)

Site Selection

You must select a site for the Restaurant that meets our site selection guidelines and must submit the proposed site to us for approval. We will provide you with information containing our written site selection guidelines. You must complete our site selection guidelines, at your expense. You must evaluate the demographics of the market area (including the population and income level of residents in the market area), and the size and other physical attributes of the location (including building height, pole sign, and building sign requirements), proximity to residential neighborhoods and proximity to shopping centers, entertainment facilities, and other businesses that attract consumers and generate traffic. You must also hire an environmental engineering firm to conduct a Phase I environmental audit of the site. You may also have to conduct aerial photography or secure aerial photographs.

We will evaluate your proposed site. Factors we consider when evaluating your proposed site include the following, among others: demographics: population, median income, median age, median home value, visibility of a highway interchange, traffic, competitors, and neighboring anchor tenants. We, or someone we select, will provide one on-site evaluation for your Restaurant. If we believe appropriate, or if you request, we, or someone we select, will conduct additional on-site evaluations. For each site evaluation visit that Franchisor or its designee conducts, Franchisee will pay to Franchisor Franchisor's then-current site evaluation fee, plus expenses (including travel, lodging, and meals), which must be paid before the time of the site visit. Site evaluation fees and expenses are nonrefundable.

Before we make any on-site evaluation, you must give us a description of the site, including evidence that the site satisfies our site selection guidelines, and all other information and materials that we may reasonably require, like a letter of intent or other evidence that confirms your favorable prospects for obtaining the site and demographic profile information, including population, income levels, and traffic counts within a trade area we designate (like a 5 or 10-mile radius or any another size area we may require). You must give us this information no later than 120 days after the effective date of the Franchise Agreement. We will have 60 days after we receive this information to approve or disapprove your proposed site as the location for the Restaurant. If you do not receive notice of approval or disapproval from us within such 60-day time period, your proposed site will be deemed automatically disapproved. If we do not approve your proposed site, we are not responsible for any costs you may have incurred before our decision. You must purchase or lease the site for the Restaurant, at your expense, within 180 days after we approve it. At least 10 business days before the proposed signing date, you must submit to us for review and obtain our consent to any sale or lease contract before you sign it. You cannot relocate the Restaurant unless you first get our written consent.

We estimate that it will be approximately 6 to 18 months from the time you sign the Franchise Agreement to the time the Restaurant begins operations. This time may be shorter or longer depending on factors like those described above for new franchisees. You must open the Restaurant and begin business within 240 days after the effective date of the Franchise Agreement, unless we give you a written extension. Before opening the Restaurant, your Operating Principal, Multi-restaurant Manager (if you are required to have one), and up to five additional Managers (your General Manager and Kitchen Manager must be two of the five) must have completed our initial training program, as described below.

Your failure to acquire the site for the Restaurant and train your management team and open the Restaurant for business within the time and in the manner we require is a material default under the Franchise Agreement for which it may be terminated.

Training

No later than 180 days before the Restaurant begins operations, your Operating Principal, Multi-restaurant Manager (if you must have one), and up to five additional Managers (you General Manager and Kitchen Manager must be two of the five) must begin our initial training program. Training must be completed to our satisfaction no later than 45 days before you open the Restaurant. A total of four to five people must be trained to manage the new Restaurant. We, or someone we designate, conduct our initial training program at a Restaurant operated by one of our affiliates or at another location we select using training materials we require, which include manuals, other written materials, and various audio and visual training materials, which you must purchase. Training requires approximately 23 weeks of your time and covers operational training, management training, kitchen management, and general management.

Our training is coordinated and administered by Lisa Dwelly, Senior Director of Training and New Concepts for TXRH. Ms. Dwelly has over 20 years of experience with Texas Roadhouse and has been involved with Bubba’s 33 since its inception. Currently, our trainers consist of Training Managers and existing Management employees who have varied years of experience with us. We also draw upon the experience of the managers and employees of the Restaurant at which the training is conducted.

Our initial training program is offered as needed during the year depending on the number of new franchisees entering the system, the number of other personnel needing training, and the scheduled opening of new Bubba’s 33 Restaurants.

The materials used in training include the Manuals as well as videos, workbooks, development books, and study guides.

TRAINING PROGRAM (1)

Subject	Hours of Classroom	Shifts* On-The-Job Training	Location
Orientation	8	1	Restaurant operated by one of our affiliates or at another location we select
Bake	1	4	Restaurant operated by one of our affiliates or at another location we select
Cold Prep	1	5	Restaurant operated by one of our affiliates or at another location we select
Hot Prep	1	3	Restaurant operated by one of our affiliates or at another location we select
Salads, Fry	2	6	Restaurant operated by one of our affiliates or at another location we select
Meat Cutting	2	6	Restaurant operated by one of our affiliates or at another location we select
Flat Top Grill	1	2	Restaurant operated by one of our affiliates or at another location we select
Point Build	1	3	Restaurant operated by one of our affiliates or at another location we select
Point Push	1	2	Restaurant operated by one of our affiliates or at another location we select
Pizza	1	4	Restaurant operated by one of our affiliates or at another location we select
Expo	1	2	Restaurant operated by one of our affiliates or at another location we select
Bartending	3	5	Restaurant operated by one of our affiliates or at another location we select
Host	5	5	Restaurant operated by one of our affiliates or at another location we select
Food Serving	4	5	Restaurant operated by one of our affiliates or at another location we select
Kitchen Manager on Duty/Service Manager on Duty	0	35	Restaurant operated by one of our affiliates or at another location we select
Managing Partner on Duty	0	5	Restaurant operated by one of our affiliates or at another location we select
Validation	0	5	Restaurant operated by one of our affiliates or at another location we select
Administrative	0	3	Restaurant operated by one of our affiliates or at another location we select
Alcohol Certification	8	0	Restaurant operated by one of our affiliates or at another location we select
Food Certification	8	0	Restaurant operated by one of our affiliates or at another location we select
Legendary Learning Week	40	0	Restaurant operated by one of our affiliates or at another location we select
MP101	32	0	Restaurant operated by one of our affiliates or at another location we select

Subject	Hours of Classroom	Shifts* On-The-Job Training	Location
New Restaurant Opening	0	12	Your Restaurant
Total	120 hrs.	Approx. 23 Weeks	

* Typical Day is based on a 10-hour shift.

<u>Notes:</u>

(1) Our initial training program is subject to change without notice to reflect updates in the materials, methods and manuals and changes in personnel. The preceding table is based on a standard 23-week training schedule; however, the initial training program may extend to 25 weeks. Each training position has certain objectives that must be achieved before a trainee is qualified in the position. Subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained.

(2) Our training program combines classroom and on-the-job training.

We will determine whether your Operating Principal, Multi-restaurant Manager, and Managers have satisfactorily completed initial training. In our discretion, we may extend the initial training program for any Operating Principal, Multi-restaurant Manager, or Manager in order to satisfy ourselves of his or her capabilities. Such an extension may delay the opening of your Restaurant. If anyone initially designated as an Operating Principal, Multi-restaurant Manager, or Manager fails to satisfactorily complete our initial training program, or if we determine that they cannot satisfactorily complete the initial training program, you must designate a replacement. Any successor Operating Principal, Multi-restaurant Manager, or Manager you later designate with our approval must also satisfactorily complete the initial training program. We may charge a reasonable fee for the initial training we provide to any replacement or successor Operating Principal, Multi-restaurant Manager, or Manager and to any initial Operating Principal, Multi-restaurant Manager, or Manager or other Restaurant personnel for any Restaurants other than your first that you establish under the System, unless we have approved you to provide the training.

If we approve you to provide training, you must conduct certain required training (including the initial training program for any Restaurant, other than your first, that you establish) at your expense. We may require you to have any person you train receive our training certification. We may also require you to pay us a reasonable fee to obtain training certification.

We may require your Operating Principal, Multi-restaurant Manager, Managers, and any other Restaurant personnel we designate to attend additional training programs and seminars we offer. We will provide the instructors and training materials for all of these programs and seminars. We may charge a reasonable fee for additional training programs and seminars.

You must pay all expenses you and members of your organization incur for any training program, whether initial or additional. Expenses may include costs of travel, lodging, meals and wages.

We provide an opening crew that will provide you on-site pre-opening and opening training, supervision, and assistance for a period of time ranging from 15 to 35 days ("**Opening Assistance**"). We may, in our sole discretion, extend the number of days of the Opening Assistance. We will determine the number of opening crew representatives and the number of days of the Opening Assistance based upon our assessment of your operational requirements. For all members of the opening crew in excess of one, you will pay the fee then being charged to franchisees generally for opening crew assistance and will pay or reimburse us or our designee for any expenses incurred by opening crew members, such as costs of travel, lodging, and meals. You must deposit with us or our designee a $50,000 deposit. We will not make travel arrangements to conduct the training until the deposit is made. If the Opening Assistance costs are less than $50,000, we will refund the difference; if these costs are more than $50,000, you must pay the excess. Our current rate for opening crew coordinators is $11.00 per hour, and our current rate for opening crew trainers is $10.00 per hour, plus overtime wages and per diem. You must follow our then-current requirements relating to expense reporting and payment of Opening Assistance expenses.

Marketing and Advertising

You must spend 2% of the Gross Sales of the Restaurant each month on marketing for the Restaurant in its Area of Primary Responsibility ("Local Marketing"). (See Item 12 for a description of the Area of Primary Responsibility.) We may provide you with certain marketing and promotional materials and information we develop for use in Local Marketing. We may charge you for these materials. We must approve all marketing (including marketing you place on the Internet) before you use it. You must give us a marketing expenditure report to show that you have complied with the Local Marketing requirement by the 10th day following the end of the month if that day is a business day. If it is not a business day, then the report is due on the next business day. Costs and expenditures you incur for any of the following cannot be included in your expenditures for local marketing unless we approve them in writing:

1. The cost of honoring any coupons;
2. Research expenditures;
3. Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities;
4. Charitable, political or other contributions or donations;
5. In-store materials consisting of fixtures or equipment;
6. Seminar and educational costs and expenses of your employees; and
7. Specialty items like T-shirts, premiums, pins, and awards, unless these items are part of a market-wide marketing program and then only to the extent that the cost of the items is not recovered by the promotion.

Although we are entitled under the Franchise Agreement to establish a contribution rate as high as 2.5% of each Restaurant's monthly Gross Sales to the advertising fund ("Fund"), we have elected to begin with a rate of 0.3% of Gross Sales. We may increase, at our discretion, the rate of your Fund contribution to a maximum of 2.5% of Gross Sales. Before we make a decision to increase Fund contributions, we will consider various relevant factors like the level of marketing expenditures by Company-owned Restaurants and by competitors of the Bubba's 33 System, media costs, available marketing resources, population changes, changes in market conditions, and the degree of market penetration by the System. We will give you 30 days written notice before we make any change in your Fund contribution. Contributions must be made at the same time and in the same manner as royalty payments. We may require you to allocate to the Fund all or part of your required Local Marketing expenditures and Cooperative contributions (described below), and we will credit your contributions to the Fund against those other marketing requirements.

We or our designee will maintain and administer the Fund. We will direct all marketing programs and will have sole discretion to approve the creative concepts, materials and media used in the programs and their placement and allocation. The Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Restaurants operating under the System. We or our affiliates will contribute to the Fund generally on the same basis as you do for Bubba's 33 Restaurants we or they operate. In administering the Fund, we and our designees are not required to make expenditures for you that are equivalent or proportionate to your contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of marketing.

We may use the Fund to satisfy any and all costs of maintaining, administering, directing, and preparing marketing, including the cost of preparing and conducting television, radio, magazine, and newspaper marketing campaigns; direct mail and outdoor billboard marketing; public relations activities; engaging advertising and marketing agencies and advisors; developing and maintaining an Internet website, social media programs and search engine optimization; preparing and conducting customer surveys, interviews, and other programs designed to maintain customer service standards; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. We will keep all contributions you make to the Fund in a separate account and will not use them to defray any of our general operating expenses, except for any reasonable administrative costs and overhead that we may incur in administering or directing the Fund and marketing programs for you and the System. The Fund and its earnings will not otherwise benefit us. The Fund is operated solely as a conduit for collecting and spending the marketing contributions described above. Any amounts paid to the Fund that are not spent in the year they are collected will be spent in the following year.

We will prepare an annual statement of the operations of the Fund and will make it available to you if you request it. We are not required to have the Fund statements audited.

We reserve the right, upon 30 days prior written notice to you, to defer, increase (subject to the maximum level permitted in the Franchise Agreement), reduce, or suspend contributions to (and, if suspended, deferred, or reduced, to reinstate such contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund without interest in proportion to their respective contributions to the Fund during the preceding 12-month period.

We may also require that you pay us a marketing fee equal to 0.5% of the Restaurant's monthly Gross Sales, which we will use for market research and to develop promotional and marketing materials for the System. We are not currently charging a marketing fee, but may, at our discretion, elect to do so at any time.

Your total required marketing contributions or payments to the Fund, to a Cooperative, for Local Marketing, or for the marketing fee will not exceed 3% of your Restaurant's monthly Gross Sales, unless the Cooperative votes to require a contribution in an amount such that your total advertising contribution exceeds 3% of Gross Sales as a result of the Cooperative contribution requirement.

Although our restaurant concept is not media-driven, to build brand awareness we currently spend a limited amount of marketing dollars on various marketing channels, including billboard, print, radio and television. These advertisements are designed to reflect "Legendary Food, Legendary Service®" as well as our fun and welcoming Restaurant environment. Marketing is presently conducted on a local basis, and we develop most of our marketing. We may market on a national, regional, and local basis through the use of the Fund, Local Marketing and Cooperatives in the future.

We do not have an advertising council for the Bubba's 33 system.

Although we currently have no marketing cooperatives ("Cooperatives") for Bubba's 33 Restaurants, we may designate any geographic area in which two or more Restaurants are located as a region for purposes of establishing a Cooperative. The members of the Cooperative for any area will, at a minimum, be all Bubba's 33 Restaurants in that area, whether franchised or Company-owned. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the power to require the Cooperative to be changed, dissolved, or merged. Each Cooperative will be organized for the exclusive purposes of administering marketing programs and developing, subject to our approval, promotional materials for use by the members for Local Marketing. If a Cooperative has been established for a geographic area where your Restaurant is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, then you must sign all documents we request and become a member of the Cooperative. You must contribute to the Cooperative the amounts required by the governing documents. However, you will not be required to contribute more than 2% of the Restaurant's monthly Gross Sales to the Cooperative unless, with our approval, the members of the Cooperative agree to the payment of a larger fee. Your Cooperative contribution, up to 2%, will be applied toward satisfaction of your Local Marketing requirement. Your contributions to a Cooperative may also be allocated by us to the Fund, as described above. All contributions to the Cooperative will be maintained and administered under the Cooperative's governing documents. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative contributions for the purposes outlined above. No marketing or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval. The Cooperative is not required to prepare annual nor periodic financial statements. Our Communication Department must approve the content of any Internet marketing you develop, including any Web pages, social media, and digital branding. All Internet marketing, digital branding, or social media that promotes or refers to "Bubba's 33" or your Restaurant must be approved by us. All Web design must be submitted electronically for approval. You may link your Web site to external sources only with our approval. You will be solely responsible for any and all Web design costs.

Except as described above, we are not obligated to spend any amount on marketing in the area where your Restaurant is located. Neither the Fund nor any Cooperative will use any funds for marketing that is principally a solicitation for the sale of franchises for Restaurants.

Confidential Operations Manuals

We will give you the opportunity to review copies of our Manuals at a location we designate at least 10 business days before we close your purchase of the franchise. You may discuss the Manuals and their contents with us during that time if you have any questions. Before you review the Manuals, we will require you to sign the Confidentiality Agreement attached as Exhibit C to this Disclosure Document. The Confidentiality Agreement requires you to maintain the confidentiality of the information you read. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any copies of the Manuals.

Computer and Point of Sale Systems

You must purchase the required point of sale system, which is currently Aloha Point of sale (Table Service) by NCR ("POS System"). The POS System typically consists of the Aloha software, an Aloha Server PC, a Windows-compatible back office server and computer, six or more touch screen terminals, and four to five impact kitchen printers, as well as thermal receipt printers and the front of house order entry terminals. Other recommended equipment may include UPS battery backup, line conditioners, surge protectors, back office printer, etc. The POS System registers food and beverage orders and transmits the orders to the bar and kitchen areas. It also tracks server sales, credit cards, items sold, guest counts, check averages, product mix, and payroll and tip information and generates various daily reports pertaining to this information. The Aloha software, hardware and installation services must be purchased through us, and we may contract out portions of these processes to approved vendors. The average cost per Restaurant for the POS System is approximate $60,000. Additionally, you must have a backoffice manager computer for all applications outside of the POS System. Annual Maintenance for the POS System and Kitchen System averages approximately $844 per Restaurant. Before purchasing your POS System, you must contact us to discuss equipment placement, wiring, programming, menu, and training, all of which must be approved by our IT department. Our IT department also approves all vendor substitutions that pertain to the POS System.

You must also purchase Help Desk Support and hardware support from our IT department or our pre-approved Aloha Help Desk provider/hardware vendor, for the maintenance and support of your hardware, POS software and basic operating software, including but not limited to the OS, MS Office applications, and other required operating software. The database for the POS System will be created and administrated by the IT Help Desk, in line with the company-wide database. Additional support for approved optional backoffice applications may require additional fees from our vendors. Network wiring must be installed through the IT Help Desk and will be contracted to an approved network cabling installer that uses only approved cables, connectors, conduit, and can certify 100baseT network connectivity.

Our IT department will require you to periodically upgrade your network hardware, POS System, Kitchen System, and supporting software (most current version of Aloha software, Windows Operating System, MS Office Suite, Endpoint Anti-Virus Detection Software or other approved anti-virus/anti-spyware detection software, and Outlook e-mail client), and you must comply with all Cardholder Information Security Program (CISP) and all Payment Card Industry Data Security Standards (DSS), and other compliance standards we may require from time to time. There are no contractual limitations on the cost or frequency of your obligation to upgrade or update any network hardware, computer hardware or computer software unless the upgrade or update is considered a capital improvement. You must make capital improvements on or before the 3rd anniversary of the Opening Date of your Restaurant or at any other time that a majority of our company-owned Bubba's 33 Restaurants have made or are using their best efforts to make such improvements, or as necessary for compliance.

We currently require Contingent Network Solutions install a private, high speed network and obtain Internet access with e-mail capability to give us access to the information stored on your computer systems. Contingent Network Solutions is our approved vendor for Internet access that allows data transmission and credit card and gift card processing via our approved payment processor. We may change this requirement as technological advancements occur.

You must afford us access to the information stored on your computer system at the times and in the manner we specify. There are no contractual limitations on our right to access this information. It is a material event of default under the Franchise Agreement if you fail to make this information accessible to us at all times throughout the term of the Agreement, and we may assess you a reasonable charge for any failure to do so without limiting our other rights under the Agreement.

We require that you participate in our electronic gift card program and obtain any equipment necessary to operate the company-approved system.

ITEM 12
TERRITORY

Except for your Assigned Area, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

The Franchise Agreement gives you the right to operate a Bubba's 33 Restaurant at a single location that you select and we approve ("Approved Location"). You must select your location from within a nonexclusive geographic area described in Attachment A to the Franchise Agreement. We call this your Designated Area. Once you have selected a location and we have approved it, we will insert the specific street address of the Approved Location in Attachment A. You must operate the Restaurant only at your Approved Location. You cannot relocate the Restaurant unless we first give you our written consent. If you are unable to continue the operation of your Bubba's 33 Restaurant at the Approved Location because of the occurrence of a force majeure event (as described in Section 19.F of the Franchise Agreement), then you may request our approval to relocate the Restaurant to another location in the Assigned Area (defined below). Any other request to relocate the Restaurant will also be subject to the same procedures. If we elect to grant you the right to relocate the Restaurant, then you must comply with the site selection and construction procedures described in the Franchise Agreement.

When we approve the location for your Restaurant, we will also assign you a primary area of operation that will be described in Attachment A to the Franchise Agreement. We call this your Assigned Area. We will describe your Assigned Area by boundary streets or highways, city limit or county line boundaries, by an area encompassed within a radius of a specific distance or range of distances, or by other comparable methods. Assigned areas are site specific and may range from a minimum of the restaurant location itself up to a maximum radius of 7 miles from the approved location. We will determine the Assigned Area based on various market and economic factors like an evaluation of market demographics, the market penetration of the System and similar businesses, the availability of appropriate sites, and growth trends in the market.

If you are in compliance with the Franchise Agreement and any other agreement we or our affiliates may have with you or your affiliates, then (with certain exceptions) during the term of the Franchise Agreement, we and our affiliates will not establish or authorize anyone except you to establish a Bubba's 33 Restaurant in your Assigned Area. The primary exception to this general principle is our ability and that of our affiliates to open a Bubba's 33 Restaurant or other food service facility in any Reserved Area (defined below), even if that Reserved Area is within your Assigned Area. Specifically, in a Reserved Area, we or our affiliates can offer and sell, and authorize others to offer and sell, food and beverage products and services under the Marks at or through any Bubba's 33 Restaurant or other permanent, temporary, or seasonal food service facility, that provides some or all of the products and services offered by a Bubba's 33 Restaurant. A "Reserved Area" is any enclosed area of retail sales stores exceeding 250,000 square feet, food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, stadiums, arenas, military bases, ballparks, festivals, fairs, and other mass gathering locations or events.

We and our affiliates can also:

(i) advertise and promote the System within and outside the Assigned Area;

(ii) operate, and license others to operate, Bubba's 33 Restaurants at any location outside the Assigned Area, including locations that are adjacent to the Assigned Area;

(iii) except for the restriction against the establishment of another full-service Bubba's 33 Restaurant in the Assigned Area, offer and sell and authorize others to offer and sell collateral products and services including those offered and sold at Bubba's 33 Restaurants (like pre-packaged food products, t-shirts, and other Bubba's 33 memorabilia) under the Marks or other marks at or from any location or through any channel of distribution other than a full-service Bubba's 33 Restaurant (including grocery stores, catalogs, the Internet, other retail or restaurant locations, and other food service facilities such as kiosks, food trucks, concessions, or multi-brand facilities) providing a limited number or representative sample of the products and services normally offered by a full-service Bubba's 33 Restaurant;

(iv) establish and operate and license others to establish and operate any business other than a full-service Bubba's 33 Restaurant, including other restaurants or food related businesses, under the Marks or under other marks, including restaurants or other businesses that we or our affiliates own, may acquire or be acquired by, merge, or consolidate with, within and outside the Assigned Area; and

(v) establish and operate, and license others to establish and operate, full-service Bubba's 33 Restaurants and other food service facilities in any Reserved Area whether or not located within the Assigned Area.

The continuation of your territorial protection does not depend on your achievement of a certain sales volume, market penetration or other contingency, but you must remain in compliance with the terms of the Franchise Agreement and all other agreements between you and your affiliates and us or our affiliates.

We and any other authorized person, including any other Bubba's 33 franchisee, may market and promote the System and fill customer orders by providing catering and delivery services, without any compensation to you, in the Assigned Area.

Under the Franchise Agreement, we also designate a nonexclusive geographic area that we call your Area of Primary Responsibility. This is the area in which you must market and promote the System in accordance with your local marketing obligations. The Area of Primary Responsibility is not exclusive for any purpose, except to the extent that it includes the Assigned Area.

We do not grant any options, rights of first refusal, or similar rights to obtain additional Restaurant locations. If you wish to obtain an additional location, you must enter into a new Franchise Agreement for that location. You cannot establish another Bubba's 33 Restaurant unless you enter into a separate Franchise Agreement for that restaurant, you are current in all payments owed to us, and you are not in violation of any terms of the Franchise Agreement. We do not currently conduct business through any alternative channels of distribution. We may in the future engage in other forms of distribution as permitted by the Franchise Agreement.

In addition to us franchising Texas Roadhouse restaurants and our affiliates owning and operating Texas Roadhouse restaurants, our affiliate, Strategic Restaurant Concepts, Inc. ("SRCI"), owns and operates two Jaggers quick service restaurants in Noblesville and Greenwood, Indiana.

ITEM 13
TRADEMARKS

Our affiliate, Texas Roadhouse Delaware, owns and has registered the following Marks with the U.S. Patent and Trademark Office ("USPTO"). All required affidavits have been filed.

Trademark	Federal Registration Number	Date of Registration
BUBBA'S 33	4,633,091	November 14, 2014
BUBBA'S 33 PIZZA BURGERS BEER and Design	4,633,223	November 14, 2014
BUBBA'S 33 PIZZA BURGERS BEER and Design (in color)	4,794,017	December 19, 2014

We have a nonexclusive, perpetual license from Texas Roadhouse Delaware giving us the right to use the System and the Marks for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreements. The license is terminable only for material breach of the license agreement and only if we do not cure or begin to cure the breach within 10 days after notice. Except for the license agreement, we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which are relevant to their ownership, use, or licensing.

Except as described below, we know of no superior prior rights or infringing use that could materially affect your use of the Marks.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Controlling Principals must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any such infringement, challenge, or claim. We or our affiliate have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or Patent and Trademark Office (or other) proceeding, arising out of any infringement, challenge, or claim concerning any of the Marks. You must execute all instruments and documents and give us any assistance that in our counsel's opinion may be necessary or advisable to protect and maintain our interests or those of our affiliate in any such litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks. We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must execute any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Controlling Principals may take any action that would prejudice or interfere with the validity of our or our affiliates' rights with respect to the Marks and may not contest the validity of our or our affiliates' interest in the Marks or assist others to do so.

We may substitute different trade names, service marks, trademarks and indicia of origin for the Marks if the Marks can no longer be used, or if we determine that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to the Bubba's 33 franchise. We claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, recipes, bulletins, correspondence, and communications with our franchisees, training, marketing and promotional materials, and other written materials relating to the operation of the Restaurant and the Bubba's 33 System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights or to defend you against claims arising from your use of the copyrighted item and are not required to indemnify you in a proceeding involving a licensed copyright. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights.

We treat all of this information as trade secrets and you must treat as confidential any of this information we communicate to you. You and your Controlling Principals must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Controlling Principals must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Controlling Principals can give this confidential information only to your employees who need it to operate the Restaurant.

In addition, if you, your Principals, or your employees develop any new concept, process, recipe, menu item, improvement, invention, or work of authorship in the operation or promotion of the Restaurant, you must promptly notify us and give us all necessary information about the work product, without compensation. Any such work product will inure to our benefit and will become our property, and you and your Controlling Principals must assign us your rights in the work product and cooperate with us to protect our interest. We may use or disclose the work product to other franchisees and to our affiliates, successors, and assigns, as we deem appropriate.

You must have any Multi-restaurant Manager who is not otherwise signing the Franchise Agreement as a Controlling Principal, as well as your other Managers and any of your personnel who have received or will have access to our confidential information, sign similar covenants. Your Principals also must execute these covenants.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

When the Franchise Agreement is signed, you must designate an individual to serve as your Operating Principal. If you are an individual, you will be the Operating Principal. If you are not an individual, the Operating Principal must be one of your Controlling Principals, must hold an ownership interest of at least 10% in you or in an entity that directly or indirectly controls you, and must meet our standards and criteria for an Operating Principal. Your Operating Principal may not pledge, mortgage, hypothecate, lien, charge, or encumber his ownership interest, or subject it to a voting agreement, proxy, security interest, or purchase right or option, unless permitted under the terms of the Franchise Agreement. He or she must sign the Guaranty and Assumption Agreement as one of your Controlling Principals and will be individually, jointly and severally, bound by all of your obligations and the obligations of the Operating Principal and your Controlling Principals under the Franchise Agreement.

Your Operating Principal must devote his or her full time and best efforts to the operation of the Restaurant, must oversee the General Manager and Kitchen Manager, and must have full authority to act for you and to communicate to us on your behalf.

If your Operating Principal cannot continue to serve, or no longer qualifies, as your Operating Principal, you must promptly notify us and designate and hire a replacement within 60 days. Any replacement

Operating Principal will be subject to the qualifications listed above. You must provide for interim management of the Restaurant until you designate a replacement. This interim management must be conducted in compliance with the Franchise Agreement.

Before you open your second Restaurant, you must hire a Multi-restaurant Manager to supervise all of your Restaurants. In counting the number of Restaurants you operate for purposes of this requirement, we include those you control through affiliates. The Multi-restaurant Manager is responsible for ensuring that the Managers of each of your Restaurants comply with System standards and must devote his or her full time and best efforts to this activity. Ordinarily, a Multi-restaurant Manager may not supervise more than twelve Restaurants, so you must add another Multi-restaurant Manager when you open your eleventh Restaurant, unless we agree that your Multi-restaurant Manager is capable of supervising more than eight units. Your Multi-restaurant Manager must satisfy our educational and business criteria and must also satisfy the training requirements in the Franchise Agreement. If a Multi-restaurant Manager can no longer serve in the position or does not continue to meet our requirements for the position, you must replace that person within the same time period and under the same conditions described above for your Operating Principal.

Your Multi-restaurant Manager may, but need not, be the same person as your Operating Principal. However, we must consent in writing to any person designated as the Operating Principal and the Multi-restaurant Manager.

If you employ anyone as a Multi-restaurant Manager or in another managerial position who is at the time, or who was within the previous 60-day period, employed by us or any of our affiliates or by another of our franchisees in a managerial position, you must (unless you have the former employer’s consent) pay that person’s former employer for the reasonable costs and expenses he incurred for the employee’s training, as described in Item 6.

At our request, you must have your Multi-restaurant Manager and any of your other personnel who have received or will have access to our training or other confidential information sign covenants not to compete and covenants that they will maintain the confidentiality of information they receive or have access to in the course of their relationship with you. These covenants will be in substantially the form attached to the Franchise Agreement as Attachment D. Your Principals also must execute these covenants. However, we may decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any party that is required to execute an agreement described in this paragraph.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all menu items that we require, and only those menu items that we have approved, and in the method or manner we determine, including dine-in, carry-out, and catering. You must prepare, package, and serve all menu items according to our recipes, standards, and procedures for preparation, presentation, and service as communicated to you from time to time via the Manuals or other written directives. Our standards and procedures may include, without limitation, adherence to recipes (including use of prescribed ingredients and prescribed measure of ingredients), use of containers and paper goods bearing the Marks, packaging procedures, product holding times, and other standards for displaying for sale menu items and other merchandise. We may add, eliminate, or modify authorized goods and services, in our sole discretion, including but not limited to limiting the geographical area in which you can provide catering services. There are no contractual limitations on our rights to make these changes.

In addition, you are prohibited from using the Restaurant for any purpose not related to the conduct of the Restaurant’s business. We do not impose limitations on the persons to whom you may provide food, beverages, products, and services, or place any restrictions or conditions that limit your access to customers. You may not advertise, offer for sale, or sell any damaged products. All such inferior items must be withdrawn from sale and removed from the premises of the Restaurant.

You must participate in all market research programs that we require, which includes test-marketing new products, purchasing a reasonable quantity of new products for test-marketing, and promoting the sale of the new products. You must provide us with timely reports and test results for all such programs.

You may not co-brand with another concept, or offer or provide catering or delivery services from a cart, kiosk, or food truck/vehicle) without our prior written consent. You may not ship Bubba's 33 products, regardless of the destination, without our prior written consent, nor distribute Bubba's 33 products through wholesale channels, through retail channels such as supermarkets, convenience stores, or other retailers, or through food service providers such as commissaries.

We have the right to establish maximum, minimum, or other retail pricing requirements to the extent permitted by law.

You may not permit in the Restaurant any vending, gaming machines, payphones, automatic teller machines, Internet kiosks, or other mechanical or electrical devices, except for those we require or approve.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise and other agreements dealing with termination, renewal, transfer, dispute resolution and other important aspects of the franchise relationship. You should read these provisions in the sample Franchise Agreement and Exhibits attached to this Disclosure Document.

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 3.A.	Unless terminated earlier, term continues until the earlier of 10 years from the date the Restaurant opens for business.
b.	Renewal or extension of the term	Section 3.B.	Agreement may be renewed at your option for two additional five-year terms.
c.	Requirements for franchisee to renew or extend	Section 3.B.(1)-(8)	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document. You must give at least six but not more than 12 months notice; repair and replace equipment and related items and update Restaurant premises; not be in breach of any agreement with us or our affiliates and have timely satisfied all monetary obligations to us and them; have the right to remain in possession of Restaurant premises; pay renewal fee; sign then-current agreement (which terms and conditions may materially differ from the original agreement) and general release; and comply with then-current qualification and training requirements.
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by Franchisor without cause	Not Applicable	Not Applicable
f.	Termination by Franchisor with cause	Sections 17.B, 17.C., and 17.D.	We may terminate if you default.

	Provision	Section in Franchise Agreement	Summary
g.	"Cause" defined - curable defaults	Sections 17.D.	Some defaults are not curable. For those that are, you have the number of days to cure as stated in the Franchise Agreement. You have five days to cure non-payment of monies owed; 30 days to obtain execution of confidentiality and noncompetition covenants required by the Franchise Agreement; seven days to obtain and maintain required insurance; 24 hours to correct misuse of the Marks; five days to discontinue unauthorized selling of products at a location that is not the Restaurant; 30 days for certain other defaults. The above cure periods are subject to otherwise applicable state law.
h.	"Cause" defined – non-curable defaults	Sections 17.B. and 17.C.	You become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy or similar state laws, have outstanding judgments against you for over 30 days, execution is levied against your business or property, or you are dissolved; you fail to acquire an Approved Location within time required; you fail to remodel as required; you fail to open Restaurant when required; you abandon or lose your right to the Restaurant premises; you or any Controlling Principal are convicted of a felony or other crime that may have an adverse effect on the System or Marks; you or any Controlling Principal transfer any interest in violation of the terms of the Franchise Agreement; you or any Controlling Principal fail to comply with the non-competition covenants or disclose confidential information; the Restaurant poses a threat to public health or safety; you maintain false books or records; you materially breach your representations or warranties; you fail to propose a qualified replacement or successor Operating Principal or Multi-restaurant Manager within the time required by the Franchise Agreement; you or any Controlling Principal commit two or more defaults in a 12-month period; you or any of your affiliates materially defaults under the terms and conditions of any other agreement with us and/or our affiliates and do not cure within the period provided by the agreement(s).
i.	Franchisee's obligations on termination/non-renewal	Section 18.	You must: stop operating the Restaurant and using the Marks, the System, and the Confidential Information; completely deidentify the Restaurant; cancel all assumed name registrations; pay all amounts due us or our affiliates; return all Manuals and software and other proprietary materials; comply with confidentiality and noncompete requirements; and at our option, sell or assign to us your rights in the equipment and fixtures used in the business. You must also, at our option, sell or assign to us your rights in the Restaurant premises.
j.	Assignment of contract by Franchisor	Section 14.A.	We may transfer or assign the Franchise Agreement to any person or entity without restriction.
k.	"Transfer" by franchisee - defined	Section 14.B.(1)	Includes sale, assignment, conveyance, pledge, mortgage, gift or other encumbrance of any interest in

	Provision	Section in Franchise Agreement	Summary
			the Franchise Agreement, the Restaurant or you (if you are not a natural person), including any new issuance of stock or other ownership interest in you.
l.	Franchisor approval of transfer by franchisee	Section 14.B.(2)	You and your Controlling Principals must obtain our consent before transferring any interest. We will not unreasonably withhold our consent.
m.	Conditions for Franchisor approval of transfer	Section 14.B.(2)	We may, among other things, require you to pay all amounts due us and our affiliates, not otherwise be in default, sign a general release, pay a transfer fee, and demonstrate the terms of sale do not negatively affect the continuing viability of the business. We may, among other things, require your transferee to meet our criteria, attend training, sign then-current Franchise Agreement, execute an inter-creditor agreement, and upgrade the Restaurant.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14.D.	Within 45 days after notice or 30 days following the receipt of any additional information that we may request from you, we have the option to purchase the transferred interest on the same terms and conditions as in a *bona fide* third-party offer.
o.	Franchisor's option to purchase franchisee's business	Sections 14.D., 14.I., 18.J., and 18.K.	We may purchase your assets on expiration or termination (described above) and under a right of first refusal if you decide to transfer the franchise (described above). We have the option (but no obligation) to require you and all of your equity owners to transfer your assets or their stock solely for shares of TXRH. You and your owners will be required to execute and deliver all agreements, certificates, and other documents TXRH requires, including an Agreement and Plan of Reorganization or Exchange in the form attached as Exhibit A to the Franchise Agreement.
p.	Death or disability of franchisee	Section 14.E.	If you or a Controlling Principal are a natural person, upon death or permanent disability, distributee must be approved by us, or franchise must be transferred to someone approved by us within 12 months after death or within six months after notice of permanent disability.
q.	Non-competition covenants during the term of the franchise	Section 10.D.(1)	You and your Controlling Principals are prohibited from operating or having an interest in a competitive business.
r.	Non-competition covenants after the franchise is terminated or expires	Section 10.D.(2)	You and your Controlling Principals are prohibited from operating or having an interest in a competitive business which is located, or is intended to be located at the approved location within the Assigned Area or within a 10-mile radius of any Bubba's 33 Restaurant or food service facility in existence or under construction during the two-year period that begins as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement or (ii) the time a Controlling Principal ceases to satisfy the definition of a Controlling Principal, as applicable.
s.	Modification of the agreement	Sections 10.A.(4) and 19.B.	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with the Manuals as amended.

	Provision	Section in Franchise Agreement	Summary
t.	Integration/merger clause	Section 19.B.	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and Franchise Agreement may not be enforceable. We may not disclaim representations made in the disclosure document.
u.	Dispute resolution by arbitration or mediation	Sections 19.H. and 19.I.	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our headquarters in Louisville, Kentucky.
v.	Choice of forum	Section 19.I.	The venue for all proceedings related to or arising out of the Franchise Agreement is Jefferson County, Kentucky (subject to state law), except that actions involving monies owed, injunctive or extraordinary relief, or real property may be brought in any state of federal court that has jurisdiction. See the State Specific Addenda attached to this disclosure document.
w.	Choice of law	Section 19.I.	The Franchise Agreement is to be interpreted and construed under Kentucky law (except for Kentucky choice of law rules) or as otherwise required by applicable state law. See the State Specific Addenda attached to this disclosure document.

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet that you are considering buying; or (2) a franchisor supplements the information provided in Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Legal Department, at 502-426-9984 or legal@texasroadhouse.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2013 TO 2015

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2013	0	0	0
	2014	0	0	0
	2015	0	0	0
Company-Owned	2013	0	1	+1
	2014	1	3	+2
	2015	3	7	+4
Total Outlets	2013	0	1	+1
	2014	1	3	+2
	2015	3	7	+4

TABLE NO. 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
FOR YEARS 2013 TO 2015

State	Year	Number of Transfers
All States	2013	0
	2014	0
	2015	0
Totals	2013	0
	2014	0
	2015	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2013 TO 2015

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
All States	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
Totals	2013	0	0	0	0	0	0	0
	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2013 TO 2015

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Colorado	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	1	0	0	0	1
Indiana	2013	0	0	0	0	0	0
	2014	0	1	0	0	0	1
	2015	1	1	0	0	0	2
New Mexico	2013	0	0	0	0	0	0
	2014	0	1	0	0	0	1
	2015	1	0	0	0	0	1
North Carolina	2013	0	1	0	0	0	1
	2014	1	0	0	0	0	1
	2015	1	0	0	0	0	1
Texas	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	2	0	0	0	2
Totals	2013	0	1	0	0	0	1
	2014	1	2	0	0	0	3
	2015	3	4	0	0	0	7

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 29, 2015

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	0	1	0
Indiana	0	0	1
Kansas	0	0	1
Texas	0	0	5
Totals	0	1	7

List of Current Franchisees

We began offering Bubba's 33 franchises on the issuance date of this disclosure document and have not sold any franchises as of the issuance date. There are no names, addresses, and telephone numbers of current franchisees and their outlets to list is in Exhibit D to this Disclosure Document.

List of Former Franchisees

No franchisees have left the system and Exhibit D contains no names, cities and states, and current business telephone numbers (or, if unknown, the last known home telephone numbers) of any franchisee who has had a Franchise Agreement terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has left the system during the most recently completed fiscal year, or has not communicated with us within 10 weeks of date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Purchase of Previously Owned Franchise

If you are purchasing a previously-owned Restaurant, we will provide you additional information on the previously-owned Restaurant in an addendum to this disclosure document.

Confidentiality Clauses

During the last three fiscal years, we have not signed any agreements with franchisees that contain confidentiality clauses that would restrict a franchisee's ability to speak openly about their experience as a franchisee in our franchise system.

Trademark-Specific Franchisee Organizations

We are not currently aware of any trademark-specific franchisee organizations associated with the franchise system which we have created, sponsored or endorsed, or any independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21
FINANCIAL STATEMENTS

The audited consolidated balance sheets as of December 29, 2015 and December 30, 2014; and related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2015 of our parent, Texas Roadhouse, Inc., are attached as Exhibit A to the disclosure document as are our parent's unaudited financial statements as of June 28, 2016 and for the 13 and 26 weeks then ended. Our financial statements are no longer separately audited, but comprise an element of our parent's statements. Our parent has unconditionally guaranteed our obligations to our Bubba's 33 franchisees. A copy of the Guarantee of Performance follows the financial statements in Exhibit A to this Disclosure Document.

ITEM 22
CONTRACTS

Attached as Exhibits to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement with all Attachments and Exhibits and State Amendments (Exhibit B)
2. Confidentiality Agreement (Exhibit C)
3. Current Sample Form of General Release (Exhibit G)

ITEM 23
RECEIPTS

The last two pages of this disclosure document are detachable duplicate Receipts. Please sign and date both copies of the Receipt. Keep one signed copy of the Receipt for your file and return to us the other signed copy of the Receipt. The Receipt contains the names of our franchise sellers or brokers.

STATE APPENDIX TO THE DISCLOSURE DOCUMENT

APPENDIX TO DISCLOSURE DOCUMENT

We must provide you the following information about certain state laws, and how they may affect your franchise contracts. By providing you this information, we are not agreeing that the laws apply to your franchise contract, or waiving our right to challenge the validity or enforceability of the state law in the future. We are giving you this information solely for purposes of satisfying our disclosure obligations.

CALIFORNIA

1. The California Department of Business Oversight requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq*., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq*. To the extent that the Disclosure Document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the Disclosure Document is supplemented by the following language:

Neither we nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a *et seq*., suspending or expelling such persons from membership in such association or exchange.

B. Item 17 of the Franchise Disclosure Document is supplemented by the following language:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

b. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq*.).

c. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

d. The franchise agreement requires application of the laws of Kentucky. This provision may not be enforceable under California law.

e. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

2. Our Website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of our Website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

3. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with a copy of the disclosure document.

4. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the California Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

5. Corporations Code 31512 provides that: “Any conditions, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void.” The franchise agreement requires a shortened status of limitations period.

Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

6. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Business Oversight before we ask you to consider a material modification of your franchise agreement.

EXHIBIT A

TEXAS ROADHOUSE, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
GUARANTEE OF PERFORMANCE

KPMG LLP
Suite 2600
400 West Market Street
Louisville, KY 40202

Independent Auditors' Consent

The Board of Directors
Texas Roadhouse, Inc.:

We agree to the inclusion of our report dated February 26, 2016, with respect to the consolidated financial statements of Texas Roadhouse, Inc. and subsidiaries as of December 29, 2015 and December 30, 2014, and for each of the years in the three-year period ended December 29, 2015, in Texas Roadhouse Development Corporation's Franchise Disclosure Document for Bubba's 33 dated August 26, 2016. This letter should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such report.

KPMG LLP

Louisville, Kentucky
August 26, 2016

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries (the "Company") as of December 29, 2015 and December 30, 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Roadhouse, Inc. and subsidiaries as of December 29, 2015 and December 30, 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 29, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Texas Roadhouse, Inc.'s internal control over financial reporting as of December 29, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Louisville, Kentucky
February 26, 2016

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share data)

	December 29, 2015	December 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 59,334	$ 86,122
Receivables, net of allowance for doubtful accounts of $6 at December 29, 2015 and $10 at December 30, 2014	45,421	34,023
Inventories, net	15,633	14,256
Prepaid income taxes	53	—
Prepaid expenses	11,295	10,552
Deferred tax assets, net	2,077	2,773
Total current assets	133,813	147,726
Property and equipment, net of accumulated depreciation of $395,886 at December 29, 2015 and $347,222 at December 30, 2014	751,288	649,637
Goodwill	116,571	116,571
Intangible assets, net	4,827	6,203
Other assets	26,207	23,005
Total assets	$ 1,032,706	$ 943,142
Liabilities and Stockholders’ Equity		
Current liabilities:		
Current maturities of long-term debt	$ 144	$ 129
Accounts payable	50,996	43,585
Deferred revenue-gift cards	101,274	79,462
Accrued wages	36,233	30,375
Income taxes payable	90	1,583
Accrued taxes and licenses	18,779	17,592
Dividends payable	11,919	10,443
Other accrued liabilities	37,207	32,802
Total current liabilities	256,642	215,971
Long-term debt, excluding current maturities	25,550	50,693
Stock option and other deposits	7,041	6,005
Deferred rent	31,493	26,964
Deferred tax liabilities, net	6,402	6,004
Other liabilities	28,396	22,549
Total liabilities	355,524	328,186
Texas Roadhouse, Inc. and subsidiaries stockholders’ equity:		
Preferred stock ($0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock ($0.001 par value, 100,000,000 shares authorized, 70,091,203 and 69,628,781 shares issued and outstanding at December 29, 2015 and December 30, 2014, respectively)	70	70
Additional paid-in-capital	201,023	189,168
Retained earnings	468,678	419,436
Accumulated other comprehensive loss	(109)	(782)
Total Texas Roadhouse, Inc. and subsidiaries stockholders’ equity	669,662	607,892
Noncontrolling interests	7,520	7,064
Total equity	677,182	614,956
Total liabilities and equity	$ 1,032,706	$ 943,142

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

(in thousands, except per share data)

	Fiscal Year Ended		
	December 29, 2015	**December 30, 2014**	**December 31, 2013**
Revenue:			
Restaurant sales	$ 1,791,446	$ 1,568,556	$ 1,410,118
Franchise royalties and fees	15,922	13,592	12,467
Total revenue	1,807,368	1,582,148	1,422,585
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	644,001	553,144	492,306
Labor	524,203	459,119	411,394
Rent	37,183	33,174	28,978
Other operating	275,296	246,339	224,882
Pre-opening	19,116	18,452	17,891
Depreciation and amortization	69,694	59,179	51,562
Impairment and closure	974	636	399
Gain on sale of other concept	—	—	(1,800)
General and administrative	92,336	81,656	77,258
Total costs and expenses	1,662,803	1,451,699	1,302,870
Income from operations	144,565	130,449	119,715
Interest expense, net	1,959	2,084	2,201
Equity income from investments in unconsolidated affiliates	(1,641)	(1,602)	(713)
Income before taxes	$ 144,247	$ 129,967	$ 118,227
Provision for income taxes	42,986	38,990	34,140
Net income including noncontrolling interests	$ 101,261	$ 90,977	$ 84,087
Less: Net income attributable to noncontrolling interests	4,367	3,955	3,664
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 96,894	$ 87,022	$ 80,423
Other comprehensive income (expense), net of tax:			
Unrealized gain on derivatives, net of tax of $513, $513 and $511, respectively	817	808	809
Foreign currency translation adjustment, net of tax of ($91), $39 and $-, respectively	(144)	62	—
Total other comprehensive income, net of tax	673	870	809
Total comprehensive income	$ 97,567	$ 87,892	$ 81,232
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic	$ 1.38	$ 1.25	$ 1.15
Diluted	$ 1.37	$ 1.23	$ 1.13
Weighted average shares outstanding:			
Basic	70,032	69,719	70,089
Diluted	70,747	70,608	71,362
Cash dividends declared per share	$ 0.68	$ 0.60	$ 0.48

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(tabular amounts in thousands, except share data)

	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 25, 2012	68,977,045	$ 69	$ 199,967	$ 327,509	$ (2,461)	$ 525,084	$ 5,653	$ 530,737
Net income	—	—	—	80,423	—	80,423	3,664	84,087
Other comprehensive income	—	—	—	—	809	809	—	809
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,116)	(3,116)
Noncontrolling interests liquidation adjustments	—	—	36	—	—	36	—	36
Dividends declared and paid ($0.48 per share)	—	—	—	(33,742)	—	(33,742)	—	(33,742)
Shares issued under share-based compensation plans including tax effects	2,165,391	2	20,026	—	—	20,028	—	20,028
Repurchase of shares of common stock	(461,600)	(1)	(12,760)	—	—	(12,761)	—	(12,761)
Indirect repurchase of shares for minimum tax withholdings	(328,579)	—	(6,958)	—	—	(6,958)	—	(6,958)
Share-based compensation	—	—	14,740	—	—	14,740	—	14,740
Balance, December 31, 2013	70,352,257	$ 70	$ 215,051	$ 374,190	$ (1,652)	$ 587,659	$ 6,201	$ 593,860
Net income	—	—	—	87,022	—	87,022	3,955	90,977
Other comprehensive income	—	—	—	—	870	870	—	870
Noncontrolling interests contribution	—	—	—	—	—	—	764	764
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,856)	(3,856)
Noncontrolling interests liquidation adjustments	—	—	25	—	—	25	—	25
Noncontrolling interest acquisition	—	—	(653)	—	—	(653)	—	(653)
Dividends declared and paid ($0.45 per share)	—	—	—	(31,333)	—	(31,333)	—	(31,333)
Dividends declared ($0.15 per share)	—	—	—	(10,443)	—	(10,443)	—	(10,443)
Shares issued under share-based compensation plans including tax effects	1,169,181	2	8,163	—	—	8,165	—	8,165
Issuance of shares for franchise acquisition	40,699	—	1,284	—	—	1,284	—	1,284
Repurchase of shares of common stock	(1,675,000)	(2)	(42,742)	—	—	(42,744)	—	(42,744)
Indirect repurchase of shares for minimum tax withholdings	(258,356)	—	(6,843)	—	—	(6,843)	—	(6,843)
Share-based compensation	—	—	14,883	—	—	14,883	—	14,883
Balance, December 30, 2014	69,628,781	$ 70	$ 189,168	$ 419,436	$ (782)	$ 607,892	$ 7,064	$ 614,956
Net income	—	—	—	96,894	—	96,894	4,367	101,261
Other comprehensive income	—	—	—	—	673	673	—	673
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,911)	(3,911)
Noncontrolling interests liquidation adjustments	—	—	22	—	—	22	—	22
Dividends declared and paid ($0.51 per share)	—	—	—	(35,733)	—	(35,733)	—	(35,733)
Dividends declared ($0.17 per share)	—	—	—	(11,919)	—	(11,919)	—	(11,919)
Shares issued under share-based compensation plans including tax effects	1,030,184	1	8,976	—	—	8,977	—	8,977
Repurchase of shares of common stock	(321,789)	(1)	(11,396)	—	—	(11,397)	—	(11,397)
Indirect repurchase of shares for minimum tax withholdings	(245,973)	—	(8,572)	—	—	(8,572)	—	(8,572)
Share-based compensation	—	—	22,825	—	—	22,825	—	22,825
Balance, December 29, 2015	70,091,203	$ 70	$ 201,023	$ 468,678	$ (109)	$ 669,662	$ 7,520	$ 677,182

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	December 29, 2015	December 30, 2014	December 31, 2013
Cash flows from operating activities:			
Net income including noncontrolling interests	$ 101,261	$ 90,977	$ 84,087
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	69,694	59,179	51,562
Deferred income taxes	411	(480)	(947)
Loss on disposition of assets	5,455	4,987	3,794
Gain on sale of other concept	—	—	(1,800)
Impairment and closure costs	974	626	278
Equity income from investments in unconsolidated affiliates	(1,641)	(1,602)	(713)
Distributions of income received from investments in unconsolidated affiliates	502	541	444
Provision for doubtful accounts	(4)	6	86
Share-based compensation expense	22,825	14,883	14,740
Changes in operating working capital:			
Receivables	(11,395)	(8,634)	(9,063)
Inventories	(1,377)	(2,278)	(1,057)
Prepaid expenses	(743)	(277)	(3,066)
Other assets	(2,276)	(1,231)	(4,720)
Accounts payable	7,611	5,366	5,712
Deferred revenue—gift cards	21,812	16,660	9,555
Accrued wages	5,858	1,381	3,964
Excess tax benefits from share-based compensation	(4,540)	(2,885)	(4,887)
Prepaid income taxes and income taxes payable	2,994	5,128	7,931
Accrued taxes and licenses	1,187	158	4,088
Other accrued liabilities	1,991	4,905	5,891
Deferred rent	4,529	3,222	3,453
Other liabilities	2,813	1,081	4,504
Net cash provided by operating activities	227,941	191,713	173,836
Cash flows from investing activities:			
Capital expenditures—property and equipment	(173,475)	(125,445)	(111,478)
Investment in unconsolidated affiliates	—	—	(1,180)
Proceeds from sale of other concept, net	—	—	1,387
Proceeds from sale of property and equipment, including insurance proceeds	272	1,205	23
Net cash used in investing activities	(173,203)	(124,240)	(111,248)
Cash flows from financing activities:			
Repayments of revolving credit facility	(25,000)	—	—
Proceeds from financing lease obligation	3,000	—	—
Repurchase of shares of common stock	(11,397)	(42,744)	(12,761)
Proceeds from noncontrolling interest contributions and other	—	764	—
Payment of debt assumed, net of cash acquired, in acquisition of noncontrolling interest	—	(1,050)	—
Distributions to noncontrolling interest holders	(3,911)	(3,856)	(3,116)
Excess tax benefits from share-based compensation	4,540	2,885	4,887
Proceeds from stock option and other deposits, net	1,422	1,083	593
Indirect repurchase of shares for minimum tax withholdings	(8,572)	(6,843)	(6,958)
Principal payments on long-term debt and capital lease obligations	(128)	(411)	(369)
Proceeds from exercise of stock options	4,696	5,280	15,141
Dividends paid to shareholders	(46,176)	(31,333)	(46,877)
Net cash used in financing activities	(81,526)	(76,225)	(49,460)
Net (decrease) increase in cash and cash equivalents	(26,788)	(8,752)	13,128
Cash and cash equivalents—beginning of year	86,122	94,874	81,746
Cash and cash equivalents—end of year	$ 59,334	$ 86,122	$ 94,874
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	$ 2,321	$ 2,374	$ 2,400
Income taxes paid	$ 39,581	$ 34,342	$ 27,156
Capital expenditures included in current liabilities	$ 3,726	$ 1,115	$ 1,383
Supplemental schedule of noncash financing activities:			
Stock acquisition of noncontrolling interest in franchise restaurant	$ —	1,284	—

See accompanying notes to Consolidated Financial Statements.

(1) Description of Business

The accompanying Consolidated Financial Statements include the accounts of Texas Roadhouse, Inc. ("TRI"), our wholly-owned subsidiaries and subsidiaries in which we own more than a 50 percent interest (collectively, the "Company," "we," "our" and/or "us") as of and for the 52 weeks ended December 29, 2015 and December 30, 2014.

As of December 29, 2015, we owned and operated 401 restaurants and franchised an additional 82 restaurants in 49 states and four foreign countries. Of the 401 company-owned restaurants that were operating at December 29, 2015, 385 were wholly-owned and 16 were majority-owned.

As of December 30, 2014, we owned and operated 372 restaurants and franchised an additional 79 restaurants in 49 states and four foreign countries. Of the 372 company-owned restaurants that were operating at December 30, 2014, 356 were wholly-owned and 16 were majority-owned.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

As of December 29, 2015 and December 30, 2014, we owned a 5.0% to 10.0% equity interest in 24 and 23 restaurants, respectively. Additionally, as of December 29, 2015 and December 30, 2014, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. The unconsolidated restaurants are accounted for using the equity method. While we exercise significant control over these Texas Roadhouse franchise restaurants, we do not consolidate their financial position, results of operations or cash flows as it is immaterial to our consolidated financial position, results of operations and/or cash flows. Our investments in these unconsolidated affiliates are included in Other assets in our consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the entities whose accounts have been consolidated have been eliminated.

(b) Fiscal Year

We utilize a 52 or 53 week accounting period that ends on the last Tuesday in December. We utilize a 13 week accounting period for quarterly reporting purposes, except in years containing 53 weeks when the fourth quarter contains 14 weeks. Fiscal years 2015 and 2014 were 52 weeks in length. Fiscal year 2013 was 53 weeks in length. In fiscal 2013, the 53rd week added approximately $32.0 million to restaurant sales and total revenues and an estimated $0.03 to $0.04 to diluted earnings per share in our consolidated statements of income and comprehensive income.

(c) Cash and Cash Equivalents

We consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Book overdrafts are recorded in accounts payable and are included within operating cash flows. Cash and cash equivalents also included receivables from credit card companies, which amounted to $7.7 million and $7.0 million at December 29, 2015 and December 30, 2014, respectively, because the balances are settled within two to three business days.

(d) Receivables

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

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

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

(e) Inventories

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

(f) Pre-opening Expenses

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

(g) Property and Equipment

Property and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed on property and equipment, including assets located on leased properties, over the shorter of the estimated useful lives of the related assets or the underlying lease term using the straight-line method. In some cases, assets on leased properties are depreciated over a period of time which includes both the initial term of the lease and one or more option periods. See note 2(p) for further discussion of leases and leasehold improvements.

The estimated useful lives are:

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

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

Repairs and maintenance expense amounted to $20.6 million, $17.9 million and $15.9 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

(h) Impairment of Goodwill

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

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

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

In both 2015 and 2013, as a result of our annual goodwill impairment analysis, we determined that there was no goodwill impairment. In 2014, as a result of our annual goodwill impairment analyses, we recorded goodwill impairment charges of $0.6 million, as discussed further in note 15. Refer to note 6 for additional information related to goodwill and intangible assets.

(i) Other Assets

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

(j) Impairment or Disposal of Long-lived Assets

In accordance with ASC 360-10-05, *Property, Plant and Equipment*, long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below $300,000 at the individual restaurant level signals potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be for a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations of future sales growth. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. If the carrying amount of the restaurant exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the assets. We generally measure fair value by independent third party appraisal or discounting estimated future cash flows. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. The adjusted carrying amounts of assets to be held and used are depreciated over their remaining useful life. In both 2015 and 2014, as a result of our impairment analysis, we determined that there was no impairment. In 2013, we recorded $0.2 million of impairment related to one previously closed restaurant. For further discussion regarding closures and impairments recorded in 2015, 2014 and 2013, including the impairments of goodwill and other long-lived assets, refer to note 15.

(k) Insurance Reserves

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

Employment practices liability/Class Action	$250,000 / $2,000,000
Workers compensation	$350,000
General liability	$250,000
Employee healthcare	$250,000

In addition, we purchase property insurance for claims that exceed $50,000 after an aggregate deductible of $250,000.

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

(l) Segment Reporting

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers. The restaurants also possess similar pricing structures, resulting in similar long-term expected financial performance characteristics. As of December 29, 2015, we operated 401 restaurants, each as a single operating segment, and franchised an additional 82 restaurants. Revenue from external customers is derived principally from food and beverage sales. We do not rely on any major customers as a source of revenue.

(m) Revenue Recognition

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

For some of the gift cards that were sold, the likelihood of redemption is remote. When the likelihood of a gift card's redemption is determined to be remote, we record a breakage adjustment and reduce deferred revenue by the amount never expected to be redeemed. We use historic gift card redemption patterns to determine when the likelihood of a gift card's redemption becomes remote and have determined that approximately 4% of the value of the gift cards sold by our company and our third party retailers will never be redeemed. The methodology we use to match the expected redemption value of unredeemed gift cards to our historic redemption patterns is to amortize the historic breakage rates over a three year period. As a result, the amount of unredeemed gift card liability included in deferred revenue is the full value of unredeemed gift cards less the amortized portion of the breakage rates. We recorded our gift card breakage adjustment as a reduction of other operating expense in our consolidated statements of income and comprehensive income. We review and adjust our estimates on a semi-annual basis.

We franchise Texas Roadhouse restaurants. We execute franchise agreements for each franchise restaurant which sets out the terms of our arrangement with the franchisee. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. We collect ongoing royalties of 2.0% to 4.0% of sales from our domestic franchisees, along with royalties paid to us by our international franchisees. These ongoing royalties are reflected in the accompanying consolidated statements of income and comprehensive income as franchise royalties and fees. We recognize initial franchise fees as franchise royalties and fees after performing substantially all initial services or conditions required by the franchise agreement, which is generally upon the opening of a restaurant. We received initial franchise fees of $0.3 million, $0.6 million and $0.1 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively. Continuing franchise royalties are recognized as revenue as the fees are earned. We also enter into area development agreements for the development of international Texas Roadhouse restaurants. Upfront fees from development agreements are deferred and recognized as franchise royalties and fees on a pro-rata basis as restaurants under the development agreement are opened. We also perform supervisory and administrative services for certain franchise restaurants for which we receive management fees, which are recognized as the services are performed. Revenue from supervisory and administrative services is recorded as a reduction of general and administrative expenses in the accompanying consolidated statements of income and comprehensive income. Total revenue from supervisory and administrative services recorded for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was approximately $0.9 million, $0.9 million and $0.7 million, respectively.

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

(n) Income Taxes

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

(o) Advertising

We have a domestic system-wide marketing and advertising fund. We maintain control of the marketing and advertising fund and, as such, have consolidated the fund's activity for the years ended December 29, 2015, December 30, 2014 and December 31, 2013. Domestic company and franchise restaurants are required to remit a designated portion of sales, currently 0.3%, to the advertising fund. These reimbursements do not exceed the costs incurred by the advertising fund throughout the year associated with various marketing programs which are developed internally by us. Therefore, the net amount of the advertising costs incurred less amounts remitted by company and franchise restaurants is included in general and administrative expense in our consolidated statements of income and comprehensive income.

Other costs related to local restaurant area marketing initiatives are included in other operating costs in our consolidated statements of income and comprehensive income. These costs and the company-owned restaurant contribution amounted to approximately $11.7 million, $10.8 million and $10.1 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively.

(p) Leases and Leasehold Improvements

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

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

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

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

Sale leasebacks are transactions through which assets (such as restaurant properties) are sold at fair value and subsequently leased back. The resulting leases generally qualify and are accounted for as operating leases. Financing leases are generally the product of a sale leaseback transaction that does not meet the criteria for sale leaseback accounting. The result of a financing lease is the retention of the "sold" assets within land, building and equipment with a financing lease obligation equal to the amount of proceeds received recorded as a component of other liabilities on our consolidated balance sheets.

(q) Use of Estimates

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

(r) Comprehensive Income

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

(s) Fair Value of Financial Instruments

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

(t) Derivative Instruments and Hedging Activities

We do not use derivative instruments for trading purposes. Currently, our only free standing derivative instrument is one interest rate swap agreement.

We account for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values. The accounting for changes in the fair value of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship. Our current derivative has been designated and qualifies as a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. There was no hedge ineffectiveness recognized during the years ended December 29, 2015, December 30, 2014 and December 31, 2013.

(u) Reclassifications

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

(v) Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for fiscal years beginning on or after December 15, 2017 (our 2018 fiscal year), including interim periods within those annual periods, with early adoption permitted in the first quarter of 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The standard will not impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise sales. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions such as initial fees from franchisees.

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

ln February 2015, the FASB issued ASU 2015-02 , *Consolidation: Amendments to the Consolidation Analysis*, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015 (our 2016 fiscal year). A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Software Licenses
(Accounting Standards Update 2015-05, "ASU 2015-05")

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. ASU 2015-05 is effective for annual and interim periods beginning after December 15, 2015 (our 2016 fiscal year). The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Inventory
(Accounting Standards Update 2015-11, "ASU 2015-11")

In July 2015, the FASB issued ASU 2015-11, *Inventory*, which simplifies the measurement principle of inventories valued under the First-In, First-Out ("FIFO") or weighted average methods from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 (our 2017 fiscal year) including interim periods within those annual periods. We do not expect the standard to have a material impact on our consolidated financial position, results of operations or cash flows upon adoption.

Deferred Taxes
(Accounting Standards Update 2015-17, "ASU 2015-17")

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires that deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2016 (our 2017 fiscal year), including interim periods within those annual periods. Early adoption is permitted as of the beginning of an interim or annual reporting period. Upon adoption, ASU 2015-17 may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial position, results of operations or cash flows.

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

(3) Acquisitions

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

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

(4) Long-term Debt

Long-term debt consisted of the following:

	December 29, 2015	December 30, 2014
Installment loan, due 2016 - 2020	$ 694	$ 822
Revolver	25,000	50,000
	25,694	50,822
Less current maturities	144	129
	$ 25,550	$ 50,693

Maturities of long-term debt at December 29, 2015 are as follows:

2016	$ 144
2017	159
2018	25,177
2019	196
2020	18
Thereafter	—
	$ 25,694

The weighted average interest rate for installment loans outstanding at both December 29, 2015 and December 30, 2014 was 10.46%. The debt is secured by certain land and buildings and is subject to certain prepayment penalties.

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

The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. We are also required to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for the amended revolving credit facility at December 29, 2015 and December 30, 2014 was 3.22% and 3.96%, respectively, including the impact of interest rate swaps. At December

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

29, 2015, we had $25.0 million outstanding under the amended revolving credit facility and $168.4 million of availability, net of $6.6 million of outstanding letters of credit.

The lenders' obligation to extend credit under the amended revolving credit facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 15% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of December 29, 2015.

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

On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of $25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a $25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the $25.0 million notional amount and receive payments from the counterparty based on the one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the LIBOR component of the $25.0 million notional amount. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

(5) Property and Equipment, Net

Property and equipment were as follows:

	December 29, 2015	December 30, 2014
Land and improvements	$ 109,939	$ 105,055
Buildings and leasehold improvements	588,095	519,905
Equipment and smallwares	305,580	262,036
Furniture and fixtures	93,904	80,637
Construction in progress	40,496	20,730
Liquor licenses	9,160	8,496
	1,147,174	996,859
Accumulated depreciation and amortization	(395,886)	(347,222)
	$ 751,288	$ 649,637

The amount of interest capitalized in connection with restaurant construction was approximately $0.7 million, $0.7 million and $0.5 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively.

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

(6) Goodwill and Intangible Assets

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

	Goodwill	Intangible Assets
Balance as of December 31, 2013 (1)	117,197	7,876
Additions	—	—
Amortization expense	—	(1,673)
Disposals and other, net	—	—
Impairment	(626)	—
Balance as of December 30, 2014	116,571	6,203
Additions	—	—
Amortization expense	—	(1,376)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 29, 2015	116,571	4,827

(1) Net of $4.2 million of accumulated goodwill impairment losses.

Intangible assets consist of reacquired franchise rights. The gross carrying amount and accumulated amortization of the intangible assets at December 29, 2015 were $15.4 million and $10.5 million, respectively. As of December 30, 2014, the gross carrying amount and accumulated amortization of the intangible assets was $15.4 million and $9.2 million. We amortize reacquired franchise rights on a straight-line basis over the remaining term of the franchise operating agreements, which varies by restaurant. Amortization expense for the next five years is expected to range from $0.4 million to $1.2 million. In 2014, as a result of our goodwill and/or long-lived impairment analysis, we determined that goodwill related to a certain restaurant was impaired as discussed in note 14.

(7) Leases

The following is a schedule of future minimum lease payments required for operating leases that have initial or remaining non-cancellable terms in excess of one year as of December 29, 2015:

	Operating Leases
2016	$ 37,909
2017	38,397
2018	38,568
2019	38,586
2020	37,549
Thereafter	524,380
Total	$ 715,389

Rent expense for operating leases consisted of the following:

	December 29, 2015	December 30, 2014	December 31, 2013
Minimum rent—occupancy	$ 36,104	$ 32,288	$ 28,191
Contingent rent	1,079	886	787
Rent expense, occupancy	37,183	33,174	28,978
Minimum rent—equipment and other	3,952	3,724	3,502
Rent expense	$ 41,135	$ 36,898	$ 32,480

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

(8) Income Taxes

Components of our income tax (benefit) and provision for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 are as follows:

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Current:			
Federal	$ 33,403	$ 31,176	$ 28,648
State	8,821	7,913	6,439
Foreign	351	381	—
Total current	42,575	39,470	35,087
Deferred:			
Federal	274	(379)	(919)
State	137	(101)	(28)
Total deferred	411	(480)	(947)
Income tax provision	$ 42,986	$ 38,990	$ 34,140

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

A reconciliation of the statutory federal income tax rate to our effective tax rate for December 29, 2015, December 30, 2014 and December 31, 2013 is as follows:

	December 29, 2015	December 30, 2014	December 31, 2013
Tax at statutory federal rate	35.0 %	35.0 %	35.0 %
State and local tax, net of federal benefit	3.5	3.5	3.5
FICA tip tax credit	(7.2)	(6.9)	(6.5)
Work opportunity tax credit	(0.9)	(1.0)	(1.7)
Incentive stock options	(0.2)	(0.2)	(0.7)
Nondeductible officer compensation	0.1	0.2	0.4
Net income attributable to noncontrolling interests	(1.0)	(1.0)	(1.1)
Other	0.5	0.4	—
Total	29.8 %	30.0 %	28.9 %

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

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

	December 29, 2015	December 30, 2014
Deferred tax assets:		
Insurance reserves	$ 4,463	$ 4,577
Other reserves	625	715
Deferred rent	11,727	9,838
Share-based compensation	7,446	5,336
Deferred revenue—gift cards	7,707	5,524
Deferred compensation	6,749	5,564
Other assets	2,933	2,972
Total deferred tax asset	41,650	34,526
Deferred tax liabilities:		
Property and equipment	(38,541)	(31,682)
Goodwill and intangibles	(5,089)	(4,163)
Other liabilities	(2,345)	(1,912)
Total deferred tax liability	(45,975)	(37,757)
Net deferred tax liability	$ (4,325)	$ (3,231)
Current deferred tax asset	$ 2,077	$ 2,773
Noncurrent deferred tax liability	(6,402)	(6,004)
Net deferred tax liability	$ (4,325)	$ (3,231)

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

A reconciliation of the beginning and ending liability for unrecognized tax benefits, all of which would impact the effective tax rate if recognized, is as follows:

Balance at December 31, 2013	$ 172
Additions to tax positions related to prior years	—
Reductions due to statute expiration	(43)
Reductions due to exam settlements	(15)
Balance at December 30, 2014	114
Additions to tax positions related to prior years	315
Additions to tax positions related to current year	85
Reductions due to statute expiration	(11)
Reductions due to exam settlement	(98)
Balance at December 29, 2015	$ 405

We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. As of December 29, 2015 and December 30, 2014, the total amount of accrued penalties and interest related to uncertain tax provisions was not material.

All entities for which unrecognized tax benefits exist as of December 29, 2015 possess a December tax year-end. As a result, as of December 29, 2015, the tax years ended December 25, 2012, December 31, 2013 and December 30, 2014 remain subject to examination by all tax jurisdictions. As of December 29, 2015, no audits were in process by a tax jurisdiction that, if completed during the next twelve months, would be expected to result in a material change to our unrecognized tax benefits. Additionally, as of December 29, 2015, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 28, 2016.

(9) Preferred Stock

Our Board of Directors is authorized, without further vote or action by the holders of common stock, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. There were no shares of preferred stock outstanding at December 29, 2015 and December 30, 2014.

(10) Stockholders' Equity

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

For the years ended December 29, 2015, December 30, 2014 and December 31, 2013, we paid approximately $11.4 million, $42.7 million and $12.8 million to repurchase 321,789, 1,675,000 and 461,600 shares of our common stock, respectively.

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

(11) Earnings Per Share

The share and net income per share data for all periods presented are based on the historical weighted-average shares outstanding. The diluted earnings per share calculations show the effect of the weighted-average stock options, RSUs outstanding and certain performance stock units ("PSUs") from our equity incentive plans as discussed in note 13.

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

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Nonvested stock	1,243	16,740	23,520
Options	—	—	—
Total	1,243	16,740	23,520

Performance stock units ("PSUs") are not included in the diluted earnings per share calculation until the performance-based criteria have been met. See note 13 for further discussion of PSUs.

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

	December 29, 2015	December 30, 2014	December 31, 2013
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 96,894	$ 87,022	$ 80,423
Basic EPS:			
Weighted-average common shares outstanding	70,032	69,719	70,089
Basic EPS	$ 1.38	$ 1.25	$ 1.15
Diluted EPS:			
Weighted-average common shares outstanding	70,032	69,719	70,089
Dilutive effect of stock options and nonvested stock	715	889	1,273
Shares-diluted	70,747	70,608	71,362
Diluted EPS	$ 1.37	$ 1.23	$ 1.13

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

(12) Commitments and Contingencies

The estimated cost of completing capital project commitments at December 29, 2015 and December 30, 2014 was approximately $129.4 million and $153.2 million, respectively.

Effective December 31, 2013, we sold two restaurants, which operated under the name Aspen Creek, located in Irving, TX and Louisville, KY. We assigned the leases associated with these restaurants to the acquirer, but remain contingently liable under the terms of the leases if the acquirer defaults. We are contingently liable for the initial term of the lease and any renewal periods. The Irving lease has an initial term that expires December 2019, along with three five-year renewals. The Louisville lease has an initial term that expires November 2023, along with three five-year renewals. The assignment of the Louisville lease releases us from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer.

We entered into real estate lease agreements for five restaurant locations, listed in the table below, before granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable if a franchisee defaults, under the terms of the lease.

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

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

We are contingently liable for the initial term of the lease and any renewal periods. All of the leases have three five-year renewals.

As of December 29, 2015 and December 30, 2014, we are contingently liable for $17.2 million and $18.0 million, respectively, for the seven leases discussed above. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 29, 2015 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

During the year ended December 29, 2015, we bought most of our beef from four suppliers. Although there are a limited number of beef suppliers, we believe that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

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

Occasionally, we are a defendant in litigation arising in the ordinary course of business, including "slip and fall" accidents, employment related claims and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. In the opinion of management, the ultimate disposition of these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

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

(13) Share-based Compensation

On May 16, 2013, our stockholders approved the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan"). The Plan provides for the granting of incentive and non-qualified stock options to purchase shares of common stock, stock appreciation rights, and full value awards, including restricted stock, restricted stock units ("RSUs"), deferred stock units, performance stock and PSUs. This plan replaced the Texas Roadhouse, Inc. 2004 Equity Incentive Plan.

Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by granting RSUs as a form of share-based compensation. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. An PSU is the conditional right to receive one share of common stock upon meeting a performance obligation along with the satisfaction of the vesting requirement.

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

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Labor expense	$ 5,329	$ 5,523	$ 5,439
General and administrative expense	17,496	9,360	9,301
Total share-based compensation expense	$ 22,825	$ 14,883	$ 14,740

Share-based compensation activity by type of grant as of December 29, 2015 and changes during the period then ended is presented below.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 30, 2014	978,124	$ 22.52		
Granted	769,926	35.56		
Forfeited	(39,388)	27.98		
Vested	(724,076)	22.04		
Outstanding at December 29, 2015	984,586	$ 32.86	1.2	$ 35,511

As of December 29, 2015, with respect to unvested RSUs, there was $18.2 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.2 years. The vesting terms of the RSUs range from approximately 1.0 to 5.0 years. The total intrinsic value of RSUs vested during the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was $25.1 million, $20.4 million and $21.3 million, respectively. The excess tax benefit realized from tax deductions associated with vested restricted stock units for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was $2.8 million, $1.4 million and $2.1 million, respectively

Summary Details for PSUs

In 2015, we granted PSUs to two of our executives subject to a one-year vesting and the achievement of certain earnings targets, which determine the number of units to vest at the end of the vesting period. Share-based compensation is recognized for the number of units expected to vest at the end of the period and is expensed beginning on the grant date and through the performance period. For each grant, PSUs vest after meeting the performance and service conditions. The distribution of vested performance stock units as common stock will occur in the first quarter of 2016 and the first quarter of 2017.

On January 8, 2015 we granted PSUs with a grant date fair value of approximately $4.0 million based on the grant date price per share of $34.77. On January 8, 2016, 144,000 shares vested related to this PSU grant. On November 19, 2015 we granted PSUs with a grant date fair value of approximately $3.9 million based on the grant date price per share of $34.11. As of December 29, 2015, with respect to unvested PSUs, there was $3.6 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.0 years.

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

Summary Details for Stock Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 30, 2014	636,930	$ 14.20		
Granted	—	—		
Forfeited	(2,324)	17.90		
Exercised	(306,108)	15.34		
Outstanding at December 29, 2015	328,498	$ 13.10	1.3	$ 7,542
Exercisable at December 29, 2015	328,498	$ 13.10	1.3	$ 7,542

No stock options were granted during the fiscal years ended December 29, 2015, December 30, 2014 and December 31, 2013.

The total intrinsic value of options exercised during the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was $6.5 million, $6.1 million and $11.2 million, respectively. No stock options vested during the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively.

For the years ended December 29, 2015, December 30, 2014 and December 31, 2013, cash received before tax withholdings from options exercised was $4.7 million, $5.3 million and $15.1 million, respectively. The excess tax benefit realized from tax deductions associated with options exercised for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was $1.7 million, $1.5 million and $2.8 million, respectively.

(14) Fair Value Measurement

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

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

There were no transfers among levels within the fair value hierarchy during the year ended December 29, 2015.

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

		Fair Value Measurements	
	Level	December 29, 2015	December 30, 2014
Interest rate swaps	2	$ (45)	$ (1,375)
Deferred compensation plan—assets	1	17,401	14,963
Deferred compensation plan—liabilities	1	(17,416)	(14,974)

The fair values of our interest rate swaps were determined based on industry-standard valuation models. Such models project future cash flows and discount the future amounts to present value using market-based observable inputs including interest rate curves. See note 16 for discussion of our interest rate swaps.

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

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

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

		Fair Value Measurements		Total losses 52 Weeks Ended	
	Level	December 29, 2015	December 30, 2014	December 29, 2015	December 30, 2014
Goodwill	3	$ —	$ —	$ —	$ 626

At December 30, 2014 the loss on goodwill in the table above relates to one underperforming restaurant in which the carrying value of the associated goodwill was reduced to zero based on their historical results and future trends of operations. We determined the fair value of the underperforming restaurant using unobservable inputs, including sales projections and present value techniques. This charge is included in Impairment and closure costs in our consolidated statements of income and comprehensive income. For further discussion of impairment charges, see note 15.

At December 29, 2015 and December 30, 2014, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. The fair value of our amended revolving credit facility at December 29, 2015 and December 30, 2014 approximated its carrying value since it is a variable rate credit facility (Level 2). The fair value of our installment loan is estimated based on the current rates offered to us for instruments of similar terms and maturities. The carrying amounts and related estimated fair values for our installment loan are as follows:

	December 29, 2015		December 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Installment loan—Level 2	$ 694	$ 779	$ 822	$ 955

(15) Impairment and Closure Costs

We recorded impairment and closure costs of $1.0 million, $0.6 million and $0.4 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively, related to goodwill and/or long-lived assets or costs associated with the closure of restaurants.

Impairment and closure costs in 2015 included $1.0 million in closure costs associated with the relocation of two restaurants in the fourth quarter of 2015.

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

Impairment and closure costs in 2013 included $0.2 million related to the write-down of a building associated with one restaurant closed in 2009. The remaining $0.2 million in expenses were ongoing closure costs associated with one restaurant that was closed in 2012 and one restaurant that was closed in 2009.

(16) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under FASB ASC 815, Derivatives and Hedging ("ASC 815"). We use interest rate-related derivative instruments to manage our exposure to fluctuations of interest rates. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We attempt to minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is JP

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

Morgan Chase Bank, N.A. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We minimize market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be taken.

Interest Rate Swaps

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

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

We entered into the above interest rate swaps with the objective of eliminating the variability of our interest cost that arises because of changes in the variable interest rate for the designated interest payments. Changes in the fair value of the interest rate swaps will be reported as a component of accumulated other comprehensive income or loss ("AOCI"). Additionally, amounts related to the yield adjustment of the hedged interest payments are subsequently reclassified into interest expense in the same period which the related interest affects earnings. We will reclassify any gain or loss from AOCI, net of tax, in our consolidated balance sheet to interest expense in our consolidated statement of income and comprehensive income when the interest rate swap expires or at the time we choose to terminate the swap. See note 14 for fair value discussion of these interest rate swaps.

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

		Derivative Assets		**Derivative Liabilities**	
	Balance Sheet Location	**December 29, 2015**	**December 30, 2014**	**December 29, 2015**	**December 30, 2014**
Derivative Contracts Designated as Hedging Instruments under ASC 815	(1)				
Interest rate swaps		$ —	$ —	$ 45	$ 1,375
Total Derivative Contracts		$ —	$ —	$ 45	$ 1,375

(1) As of December 29, 2015, derivative liabilities are included in other accrued liabilities on the consolidated balance sheet. As of December 30, 2014, the current portion of derivative liabilities is included in other accrued liabilities and the long-term portion is included in other liabilities.

The following table summarizes the effect of our interest rate swaps in the consolidated statements of income and comprehensive income for the 52 weeks ended December 29, 2015, December 30, 2014 and the 53 weeks ended December 31, 2013, respectively:

	December 29, 2015	**December 30, 2014**	**December 31, 2013**
Gain recognized in AOCI, net of tax (effective portion)	$ 817	$ 808	$ 809
Loss reclassified from AOCI to income (effective portion)	$ 1,397	$ 1,480	$ 1,474

The loss reclassified from AOCI to income was recognized in interest expense on our consolidated statements of income and comprehensive income. For each of the fiscal periods ended December 29, 2015, December 30, 2014 and December 31, 2013, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the consolidated statements of income and comprehensive income.

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

(17) Accumulated Other Comprehensive Loss

The components of the changes in accumulated other comprehensive loss for the 52 weeks ended December 29, 2015 and December 30, 2014 were as follows:

	Cash Flow Hedges	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance as of December 31, 2013	(1,652)	—	(1,652)
Other comprehensive loss before reclassifications	(159)	101	(58)
Reclassification adjustments to income (1)	1,480	—	1,480
Income taxes	(513)	(39)	(552)
Balance as of December 30, 2014	$ (844)	$ 62	$ (782)
Other comprehensive loss before reclassifications	(67)	(235)	(302)
Reclassification adjustments to income (1)	1,397	—	1,397
Income taxes	(513)	91	(422)
Balance as of December 29, 2015	$ (27)	$ (82)	$ (109)

(1) For further discussion of amounts reclassified to income, see note 16.

(18) Related Party Transactions

We have 10 franchise restaurants owned in whole or part by certain of our officers, directors and 5% stockholders of the Company as of December 29, 2015. As of December 30, 2014 and December 31, 2013, we had 14 and 15 franchise restaurants, respectively, owned in whole or part by certain of our officers, directors and 5% stockholders of the Company. These entities paid us fees of $1.8 million, $2.5 million and $2.4 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively. As discussed in note 12, we are contingently liable on leases which are related to two of these restaurants.

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

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

(19) Selected Quarterly Financial Data (unaudited)

	2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 460,230	$ 454,698	$ 438,089	$ 454,351	$ 1,807,368
Total costs and expenses	$ 411,630	$ 423,002	$ 407,533	$ 420,638	$ 1,662,803
Income from operations	$ 48,600	$ 31,696	$ 30,556	$ 33,713	$ 144,565
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 32,292	$ 21,138	$ 20,482	$ 22,982	$ 96,894
Basic earnings per common share	$ 0.46	$ 0.30	$ 0.29	$ 0.33	$ 1.38
Diluted earnings per common share	$ 0.46	$ 0.30	$ 0.29	$ 0.32	$ 1.37
Cash dividends declared per share	$ 0.17	$ 0.17	$ 0.17	$ 0.17	$ 0.68

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

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

PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

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

	June 28, 2016	December 29, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 95,305	$ 59,334
Receivables, net of allowance for doubtful accounts of $41 at June 28, 2016 and $6 at December 29, 2015	21,101	45,421
Inventories, net	14,443	15,633
Prepaid income taxes	—	53
Prepaid expenses	9,868	11,295
Deferred tax assets, net	5,243	2,077
Total current assets	145,960	133,813
Property and equipment, net of accumulated depreciation of $425,838 at June 28, 2016 and $395,886 at December 29, 2015	778,634	751,288
Goodwill	116,571	116,571
Intangible assets, net of accumulated amortization of $11,225 at June 28, 2016 and $10,548 at December 29, 2015	4,150	4,827
Other assets	27,886	26,207
Total assets	$ 1,073,201	$ 1,032,706
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 151	$ 144
Accounts payable	47,242	50,996
Deferred revenue-gift cards	61,775	101,274
Accrued wages	26,144	36,233
Income taxes payable	8,784	90
Accrued taxes and licenses	19,055	18,779
Dividends payable	13,379	11,919
Other accrued liabilities	42,346	37,207
Total current liabilities	218,876	256,642
Long-term debt, excluding current maturities	50,472	25,550
Stock option and other deposits	7,250	7,041
Deferred rent	33,713	31,493
Deferred tax liabilities, net	6,165	6,402
Other liabilities	31,603	28,396
Total liabilities	348,079	355,524
Texas Roadhouse, Inc. and subsidiaries stockholders' equity:		
Preferred stock ($0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock ($0.001 par value, 100,000,000 shares authorized, 70,429,927 and 70,091,203 shares issued and outstanding at June 28, 2016 and December 29, 2015, respectively)	70	70
Additional paid-in-capital	206,338	201,023
Retained earnings	511,139	468,678
Accumulated other comprehensive loss	(122)	(109)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	717,425	669,662
Noncontrolling interests	7,697	7,520
Total equity	725,122	677,182
Total liabilities and equity	$ 1,073,201	$ 1,032,706

See accompanying notes to condensed consolidated financial statements.

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

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Revenue:				
Restaurant sales	$ 504,630	$ 450,692	$ 1,015,914	$ 906,985
Franchise royalties and fees	4,178	4,006	8,453	7,943
Total revenue	508,808	454,698	1,024,367	914,928
Costs and expenses:				
Restaurant operating costs (excluding depreciation and amortization shown separately below):				
Cost of sales	171,551	168,077	344,679	328,057
Labor	150,014	132,084	297,560	263,488
Rent	10,184	9,138	20,211	18,117
Other operating	75,887	68,358	153,499	137,675
Pre-opening	4,411	4,909	9,236	8,727
Depreciation and amortization	20,238	16,816	39,777	33,151
Impairment and closure	30	—	41	—
General and administrative	26,711	23,620	56,771	45,417
Total costs and expenses	459,026	423,002	921,774	834,632
Income from operations	49,782	31,696	102,593	80,296
Interest expense, net	309	495	614	1,010
Equity income from investments in unconsolidated affiliates	(475)	(467)	(827)	(839)
Income before taxes	$ 49,948	$ 31,668	$ 102,806	$ 80,125
Provision for income taxes	15,087	9,402	30,944	24,278
Net income including noncontrolling interests	$ 34,861	$ 22,266	$ 71,862	$ 55,847
Less: Net income attributable to noncontrolling interests	1,256	1,128	2,664	2,417
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 33,605	$ 21,138	$ 69,198	$ 53,430
Other comprehensive income (expense), net of tax:				
Unrealized gain on derivatives, net of tax of $-, ($135), ($18) and ($262), respectively	—	215	27	416
Foreign currency translation adjustment, net of tax of $20, ($4), $26 and ($11), respectively	(29)	12	(40)	18
Total other comprehensive (loss) income, net of tax	(29)	227	(13)	434
Total comprehensive income	$ 33,576	$ 21,365	$ 69,185	$ 53,864
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:				
Basic	$ 0.48	$ 0.30	$ 0.98	$ 0.76
Diluted	$ 0.47	$ 0.30	$ 0.98	$ 0.76
Weighted average shares outstanding:				
Basic	70,368	70,026	70,269	69,933
Diluted	70,876	70,648	70,840	70,588
Cash dividends declared per share	$ 0.19	$ 0.17	$ 0.38	$ 0.34

See accompanying notes to condensed consolidated financial statements.

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

	Shares	Par Value	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Texas Roadhouse, Inc. and Subsidiaries	Noncontrolling Interests	Total
Balance, December 29, 2015	70,091,203	$ 70	$ 201,023	$ 468,678	$ (109)	$ 669,662	$ 7,520	$ 677,182
Net income	—	—	—	69,198	—	69,198	2,664	71,862
Other comprehensive loss	—	—	—	—	(13)	(13)	—	(13)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(2,487)	(2,487)
Dividends declared and paid ($0.19 per share)	—	—	—	(13,358)	—	(13,358)	—	(13,358)
Dividends declared ($0.19 per share)	—	—	—	(13,379)	—	(13,379)	—	(13,379)
Shares issued under share-based compensation plans including tax effects	621,522	1	4,058	—	—	4,059	—	4,059
Repurchase of shares of common stock	(114,700)	—	(4,110)	—	—	(4,110)	—	(4,110)
Indirect repurchase of shares for minimum tax withholdings	(168,098)	(1)	(6,336)	—	—	(6,337)	—	(6,337)
Share-based compensation	—	—	11,703	—	—	11,703	—	11,703
Balance, June 28, 2016	70,429,927	$ 70	$ 206,338	$ 511,139	$ (122)	$ 717,425	$ 7,697	$ 725,122

See accompanying notes to condensed consolidated financial statements.

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

	26 Weeks Ended	
	June 28, 2016	June 30, 2015
Cash flows from operating activities:		
Net income including noncontrolling interests	$ 71,862	$ 55,847
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,777	33,151
Deferred income taxes	(3,395)	(5,205)
Loss on disposition of assets	2,696	2,785
Equity income from investments in unconsolidated affiliates	(827)	(839)
Distributions of income received from investments in unconsolidated affiliates	998	311
Provision for doubtful accounts	35	(44)
Share-based compensation expense	11,703	10,215
Changes in operating working capital:		
Receivables	24,285	14,184
Inventories	1,190	182
Prepaid expenses	1,427	1,736
Other assets	(1,915)	(1,853)
Accounts payable	(4,705)	1,254
Deferred revenue—gift cards	(39,499)	(32,310)
Accrued wages	(10,089)	4,570
Excess tax benefits from share-based compensation	(2,193)	(3,037)
Prepaid income taxes and income taxes payable	10,941	6,589
Accrued taxes and licenses	276	258
Other accrued liabilities	6,074	2,202
Deferred rent	2,220	2,087
Other liabilities	3,207	2,740
Net cash provided by operating activities	114,068	94,823
Cash flows from investing activities:		
Capital expenditures—property and equipment	(69,159)	(70,933)
Proceeds from sale of property and equipment, including insurance proceeds	—	9
Net cash used in investing activities	(69,159)	(70,924)
Cash flows from financing activities:		
Proceeds from revolving credit facility, net	25,000	—
Repurchase of shares of common stock	(4,110)	(3,138)
Distributions to noncontrolling interest holders	(2,487)	(2,295)
Excess tax benefits from share-based compensation	2,193	3,037
Proceeds from stock option and other deposits, net	285	849
Indirect repurchase of shares for minimum tax withholdings	(6,337)	(5,890)
Principal payments on long-term debt	(71)	(63)
Proceeds from exercise of stock options	1,866	2,691
Dividends paid to shareholders	(25,277)	(34,247)
Net cash used in financing activities	(8,938)	(39,056)
Net increase (decrease) in cash and cash equivalents	35,971	(15,157)
Cash and cash equivalents—beginning of period	59,334	86,122
Cash and cash equivalents—end of period	$ 95,305	$ 70,965
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	$ 499	$ 1,159
Income taxes paid	$ 23,398	$ 22,893
Capital expenditures included in current liabilities	$ 3,710	$ 5,006

See accompanying notes to condensed consolidated financial statements.

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

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Texas Roadhouse, Inc. ("TRI"), our wholly-owned subsidiaries and subsidiaries in which we have a controlling interest (collectively the "Company," "we," "our" and/or "us") as of June 28, 2016 and December 29, 2015 and for the 13 and 26 weeks ended June 28, 2016 and June 30, 2015.

As of June 28, 2016, we owned and operated 415 restaurants and franchised an additional 84 restaurants in 49 states and five foreign countries. Of the 415 company-owned restaurants that were operating at June 28, 2016, 399 were wholly-owned and 16 were majority-owned.

As of June 30, 2015, we owned and operated 384 restaurants and franchised an additional 80 restaurants in 49 states and four foreign countries. Of the 384 company-owned restaurants that were operating at June 30, 2015, 368 were wholly-owned and 16 were majority-owned.

As of June 28, 2016 and June 30, 2015, we owned 5.0% to 10.0% equity interest in 24 franchise restaurants. Additionally, as of June 28, 2016 and June 30, 2015, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. The unconsolidated restaurants are accounted for using the equity method. Our investments in these unconsolidated affiliates are included in Other assets in our unaudited condensed consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our unaudited condensed consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the entities whose accounts have been consolidated have been eliminated.

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

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position, results of operations and cash flows for the periods presented. The unaudited condensed consolidated financial statements have been prepared in accordance with GAAP, except that certain information and footnotes have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"). Operating results for the 13 and 26 weeks ended June 28, 2016 are not necessarily indicative of the results that may be expected for the year ending December 27, 2016. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 29, 2015.

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

(2) Share-based Compensation

On May 16, 2013, our stockholders approved the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan"). The Plan provides for the granting of incentive and non-qualified stock options to purchase shares of common stock, stock appreciation rights, and full value awards, including restricted stock, restricted stock units

("RSUs"), deferred stock units, performance stock and performance stock units ("PSUs"). This plan replaced the Texas Roadhouse, Inc. 2004 Equity Incentive Plan.

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

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Labor expense	$ 1,507	$ 1,035	$ 2,906	$ 2,550
General and administrative expense	4,408	4,276	8,797	7,665
Total share-based compensation expense	$ 5,915	$ 5,311	$ 11,703	$ 10,215

Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by granting RSUs as a form of share-based compensation. Prior to 2008, we issued stock options as share-based compensation to our employees. Beginning in 2015, we granted PSUs to two of our executives. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. A PSU is the conditional right to receive one share of common stock upon meeting a performance obligation along with the satisfaction of the vesting requirement. Share-based compensation activity by type of grant as of June 28, 2016 and changes during the 26 weeks then ended are presented below.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 29, 2015	984,586	$ 32.86		
Granted	271,824	41.61		
Forfeited	(15,445)	31.63		
Vested	(324,945)	33.17		
Outstanding at June 28, 2016	916,020	$ 35.36	1.3	$ 41,060

As of June 28, 2016, with respect to unvested RSUs, there was $19.4 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.3 years. The vesting terms of the RSUs range from approximately 1.0 to 5.0 years. The total intrinsic value of RSUs vested during the 26 weeks ended June 28, 2016 and June 30, 2015 was $13.0 million and $17.4 million, respectively. The excess tax benefit realized from tax deductions associated with vested restricted stock units for the 26 weeks ended June 28, 2016 and June 30, 2015 was $0.9 million and $2.0 million, respectively.

Summary Details for PSUs

In 2015, we granted PSUs to two of our executives subject to a one-year vesting and the achievement of certain earnings targets, which determine the number of units to vest at the end of the vesting period. Share-based compensation is recognized for the number of units expected to vest at the end of the period and is expensed beginning on the grant date and through the performance period. For each grant, PSUs vest after meeting the performance and service conditions.

On January 8, 2015, we granted PSUs with a grant date fair value of approximately $4.0 million based on the grant date price per share of $34.77. On January 8, 2016, 144,000 shares vested related to this PSU grant and were distributed during the 13 weeks ended March 29, 2016. On November 19, 2015, we granted PSUs with a grant date fair value of approximately $3.9 million based on the grant date price per share of $34.11. As of June 28, 2016, with respect to unvested PSUs, there was $2.1 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 0.5 years. The distribution of vested performance stock units as common stock related to the November 19, 2015 grants will occur in the first quarter of 2017.

Summary Details for Stock Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 29, 2015	328,498	$ 13.10		
Granted	—	—		
Cancelled/Expired	(1,622)	14.80		
Exercised	(152,577)	12.23		
Outstanding at June 28, 2016	174,299	$ 13.85	0.9	$ 5,398
Exercisable at June 28, 2016	174,299	$ 13.85	0.9	$ 5,398

No stock options vested during 26 weeks ended June 28, 2016 or June 30, 2015. For the 26 weeks ended June 28, 2016 and June 30, 2015, the total intrinsic value of options exercised was $4.6 million and $3.6 million, respectively.

For the 26 weeks ended June 28, 2016 and June 30, 2015, cash received before tax withholdings from options exercised was $1.9 million and $2.7 million, respectively. The excess tax benefit realized from deductions associated with options exercised for the 26 weeks ended June 28, 2016 and June 30, 2015 was $1.3 million and $1.0 million, respectively.

(3) Long-term Debt

Long-term debt consisted of the following:

	June 28, 2016	December 29, 2015
Installment loan, due 2020	$ 623	$ 694
Revolver	50,000	25,000
	50,623	25,694
Less current maturities	151	144
	$ 50,472	$ 25,550

The interest rate for our installment loan outstanding at both June 28, 2016 and December 29, 2015 was 10.46%. The debt is secured by certain land and building assets and is subject to certain prepayment penalties.

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

The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank’s prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. We are also required to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for the amended revolving credit facility at June 28, 2016 and December 29, 2015 was 1.32% and 3.22%, respectively, including the impact of an interest rate swap which expired on January 7, 2016. At June 28, 2016, we had $50.0 million outstanding under the revolving credit facility and $143.4 million of availability, net of $6.6 million of outstanding letters of credit.

The lenders' obligation to extend credit under the amended revolving credit facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 15% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all financial covenants as of June 28, 2016.

(4) Income Taxes

A reconciliation of the statutory federal income tax rate to our effective tax rate for the 13 and 26 weeks ended June 28, 2016 and June 30, 2015 is as follows:

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Tax at statutory federal rate	35.0 %	35.0 %	35.0 %	35.0 %
State and local tax, net of federal benefit	3.5	3.5	3.5	3.5
FICA tip tax credit	(6.5)	(7.3)	(6.8)	(7.1)
Work opportunity tax credit	(0.9)	(0.7)	(0.8)	(0.7)
Net income attributable to noncontrolling interests	(0.9)	(1.2)	(0.9)	(1.0)
Other	0.0	0.4	0.1	0.6
Total	30.2 %	29.7 %	30.1 %	30.3 %

(5) Derivative and Hedging Activities

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

Interest Rate Swaps

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

We entered into the above interest rate swap with the objective of eliminating the variability of our interest cost that arises because of changes in the variable interest rate for the designated interest payments. Changes in the fair value of the interest rate swap were reported as a component of accumulated other comprehensive income or loss ("AOCI"). Additionally, amounts related to the yield adjustment of the hedged interest payments were subsequently reclassified into interest expense in the same period during which the related interest affected earnings. We reclassified a loss from AOCI, net of tax, in our unaudited condensed consolidated balance sheet to interest expense in our unaudited condensed consolidated statement of income and comprehensive income when the interest rate swap expired on January 7, 2016. See note 10 for fair value discussion of this interest rate swap.

As of December 29, 2015, we had an interest rate swap designated as a hedging instrument under ASC 815 which was recorded as a derivative liability of $45,000 in other accrued liabilities on the unaudited condensed consolidated balance sheet.

The following table summarizes the effect of our interest rate swaps in the unaudited condensed consolidated statements of income and comprehensive income for the 13 and 26 weeks ended June 28, 2016 and June 30, 2015:

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Gain recognized in AOCI, net of tax (effective portion) (1)	$ —	$ 215	$ 27	$ 416
Loss reclassified from AOCI to income (effective portion) (1)	$ —	$ 367	$ 45	$ 736

(1) The 26 weeks ended June 28, 2016 included the effect of one interest rate swap which expired on January 7, 2016, while the 13 and 26 weeks ended June 30, 2015 included the effect of two interest rate swaps, one of which expired on November 7, 2015.

The loss reclassified from AOCI to income was recognized in interest expense on our unaudited condensed consolidated statements of income and comprehensive income. For each of the 13 and 26 weeks ended June 28, 2016 and June 30, 2015, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the unaudited condensed consolidated statements of income and comprehensive income.

(6) Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for fiscal years beginning on or after December 15, 2017 (our 2018 fiscal year) with early adoption permitted in the first quarter of 2017. The standard permits the use of either the retrospective or cumulative effect transition method. In March and April 2016, the FASB issued the following amendments to clarify the implementation guidance: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* and ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.* The standard will not impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise sales. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions such as initial fees from franchisees as well as the method of adoption.

Inventory
(Accounting Standards Update 2015-11, "ASU 2015-11")

In July 2015, the FASB issued ASU 2015-11, *Inventory*, which simplifies the measurement principle of inventories valued under the First-In, First-Out ("FIFO") or weighted average methods from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 (our 2017 fiscal year). We do not expect the standard to have a material impact on our consolidated financial position, results of operations or cash flows upon adoption.

Deferred Taxes
(Accounting Standards Update 2015-17, "ASU 2015-17")

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires that deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2016 (our 2017 fiscal year), including interim periods within those annual periods. Early adoption is permitted as of the beginning of an interim or annual reporting period. Upon adoption, ASU 2015-17 may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial position, results of operations or cash flows.

Leases
(Accounting Standards Update 2016-02, "ASU 2016-02")

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires an entity to recognize a right-of-use asset and a lease liability for virtually all leases. This update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (our 2019 fiscal year). Early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the consolidated financial statements. We are currently assessing the impact of this new standard on our consolidated financial position, results of operations and cash flows and we have not determined the effect of the amended guidance on our ongoing financial reporting.

Share-Based Compensation
(Accounting Standards Update 2016-09, "ASU 2016-09")

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment transactions. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the statement of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 (our 2017 fiscal year) and interim periods within those annual periods. Early adoption is permitted. We are currently assessing the impact of this new standard on our consolidated financial position, results of operations and cash flows as well as the method of adoption.

Financial Instruments
(Accounting Standards Update 2016-13, "ASU 2016-13")

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected versus incurred losses for financial assets held. ASU 2016-13 is effective for annual periods beginning after December 15, 2019 (our 2020 fiscal year), with early adoption permitted for annual periods beginning after December 15, 2018. We are currently assessing the impact of this new standard on our consolidated financial position, results of operations and cash flows.

(7) Commitments and Contingencies

The estimated cost of completing capital project commitments at June 28, 2016 and December 29, 2015 was approximately $171.8 million and $129.4 million, respectively.

Effective December 31, 2013, we sold two restaurants, which operated under the name Aspen Creek, located in Irving, Texas and Louisville, Kentucky. We assigned the leases associated with these restaurants to the acquirer, but remain contingently liable under the terms of the leases if the acquirer defaults. We are contingently liable for the initial terms of the leases and any optional renewal periods. The Irving lease has an initial term that expires December 2019, along with three five-year renewals. The Louisville lease has an initial term that expires November 2023, along with three five-year renewals. The assignment of the Louisville lease releases us from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer.

We entered into real estate lease agreements for five restaurant locations, listed in the table below, before granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable if a franchisee defaults, under the terms of the lease.

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

(1) As discussed in note 8, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

We are contingently liable for the initial terms of the leases and any optional renewal periods. All of the leases have three optional five-year renewals.

As of June 28, 2016 and December 29, 2015, we are contingently liable for $16.8 million and $17.2 million, respectively, for the seven leases discussed above. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of June 28, 2016 and December 29, 2015 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

During the 13 and 26 weeks ended June 28, 2016, we bought most of our beef from three suppliers. Although there are a limited number of beef suppliers, we believe that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages, higher costs to secure adequate supplies and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

On September 30, 2011, the U.S. Equal Employment Opportunity Commission ("EEOC") filed a lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC and Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts, Civil Action Number 1:11-cv-11732. The complaint alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions due to their age. The EEOC is seeking injunctive relief, remedial actions, payment of damages to the applicants, and costs. We have filed an answer to the complaint and trial is scheduled for January 2017. We deny liability and are vigorously defending this case; however, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. We cannot estimate the amount or range of loss, if any, associated with this matter.

On July 15, 2016, the Florida Circuit Court in Palm Beach County approved a settlement agreement styled Andrew Lovett and Semaj Miller, individually and on behalf of others, v. Texas Roadhouse Management Corp. (Case no. 50-2016-CA-007714-MB-AO) resolving alleged violations of the federal Fair Labor Standards Act asserted on behalf of a purported nationwide class of current and former employees in exchange for a settlement payment not to exceed $9.5 million. To cover the estimated costs of the settlement, including estimated payments to any opt-in members and class attorneys, as well as related settlement administration costs, we recorded a charge of $5.5 million ($3.4 million after-tax) in the first quarter of 2016. The pre-tax charge was recorded in general and administrative expenses in our unaudited condensed consolidated statements of income and comprehensive income and in other accrued liabilities in our unaudited condensed consolidated balance sheets. Because the settlement is structured on an opt-in basis, the actual amount of the total settlement payment could vary from our estimate.

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including "slip and fall" accidents, employment related claims and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. In the opinion of management, the ultimate disposition of these matters, most of which are covered by insurance, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

(8) Related Party Transactions

As of June 28, 2016 and June 30, 2015, we had 10 franchise restaurants owned in whole or part, by certain of our officers, directors and 5% stockholders of the company. For both of the 13 week periods ended June 28, 2016 and June 30, 2015, these entities paid us fees of approximately $0.5 million. For the 26 week periods ended June 28, 2016 and June 30, 2015, these entities paid us fees of approximately $1.0 million and $0.9 million, respectively. As disclosed in note 7, we are contingently liable on leases which are related to two of these restaurants.

(9) Earnings Per Share

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

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

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Nonvested stock	—	42	8,749	802
Options	—	—	—	—
Total	—	42	8,749	802

PSUs are not included in the diluted earnings per share calculation until the performance-based criteria have been met. See note 2 for further discussion of PSUs.

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

	13 Weeks Ended		26 Weeks Ended	
	June 28, 2016	June 30, 2015	June 28, 2016	June 30, 2015
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	$ 33,605	$ 21,138	$ 69,198	$ 53,430
Basic EPS:				
Weighted-average common shares outstanding	70,368	70,026	70,269	69,933
Basic EPS	$ 0.48	$ 0.30	$ 0.98	$ 0.76
Diluted EPS:				
Weighted-average common shares outstanding	70,368	70,026	70,269	69,933
Dilutive effect of stock options and nonvested stock	508	622	571	655
Shares-diluted	70,876	70,648	70,840	70,588
Diluted EPS	$ 0.47	$ 0.30	$ 0.98	$ 0.76

(10) Fair Value Measurements

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

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

There were no transfers among levels within the fair value hierarchy during the 13 and 26 weeks ended June 28, 2016.

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

		Fair Value Measurements	
	Level	**June 28, 2016**	**December 29, 2015**
Interest rate swap	2	$ —	$ (45)
Deferred compensation plan—assets	1	19,921	17,401
Deferred compensation plan—liabilities	1	(19,925)	(17,416)

As of December 29, 2015, the fair value of our interest rate swap was determined based on industry-standard valuation models. Such models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves. See note 5 for discussion of our interest rate swap, which expired on January 7, 2016.

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

At June 28, 2016 and December 29, 2015, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. The fair value of our amended revolving credit facility at June 28, 2016 and December 29, 2015 approximated its carrying value since it is a variable rate credit facility (Level 2). The fair value of our installment loan is estimated based on the current rates offered to us for instruments of similar terms and maturities. The carrying amounts and related estimated fair values for our installment loan are as follows:

	June 28, 2016		December 29, 2015	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Installment loan—Level 2	$ 623	$ 736	$ 694	$ 779

(11) Accumulated Other Comprehensive Loss

The components of the changes in accumulated other comprehensive loss for the 26 weeks ended June 28, 2016 were as follows:

	Cash Flow Hedges	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance as of December 29, 2015	$ (27)	$ (82)	$ (109)
Other comprehensive loss before reclassifications	—	(66)	(66)
Reclassification adjustments to income (1)	45	—	45
Income taxes	(18)	26	8
Balance as of June 28, 2016	$ —	$ (122)	$ (122)

(1) For further discussion of amounts reclassified to income, see note 5.

(12) Stock Repurchase Program

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to $100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

We did not repurchase any shares of common stock during the 13 week period ended June 28, 2016. For the 26 week period ended June 28, 2016, we paid approximately $4.1 million to repurchase 114,700 shares of our common stock. As of June 28, 2016, we had approximately $69.9 million remaining under our authorized stock repurchase program. For the 13 and 26 week periods ended June 30, 2015, we paid approximately $3.1 million to repurchase 88,089 shares of our common stock.

GUARANTEE OF PERFORMANCE

For value received, Texas Roadhouse, Inc., a Delaware corporation ("**Guarantor**"), located at 6040 Dutchmans Lane, Louisville, Kentucky 40205, absolutely and unconditionally guarantees to assume the duties and obligations of Texas Roadhouse Development Corporation, located at 6040 Dutchmans Lane, Louisville, Kentucky 40205 ("**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2016 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified, or extended from time to time. This guarantee continues until all such obligations of Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. Guarantor is not discharged from liability if a claim by a franchisee against Franchisor remains outstanding. Notice of acceptance is waived. Guarantor does not waive receipt of notice of default on the part of Franchisor. This guarantee is binding on Guarantor and its successors and assigns.

Guarantor signs this guarantee at Louisville, Kentucky on the 26th day of August, 2016.

GUARANTOR:

Texas Roadhouse, Inc.,
a Delaware Corporation

By: W. Kent Taylor
W. Kent Taylor, Chairman

EXHIBIT B

FRANCHISE AGREEMENT

BUBBA'S 33

FRANCHISE AGREEMENT

Form Dated ________________
FDD Dated _________________

BUBBA'S 33
FRANCHISE AGREEMENT
TABLE OF CONTENTS

Page

ATTACHMENTS

BUBBA'S 33

FRANCHISE AGREEMENT

THIS Franchise Agreement ("**Agreement**") is made and entered into this ____ day of __________________, 20____, by and between Texas Roadhouse Development Corporation, a Kentucky corporation ("**Franchisor**"), and ____ ("**Franchisee**"). Certain initially capitalized terms used frequently in this Agreement are defined in Section 19.Q.

WITNESSETH:

WHEREAS, Franchisor has the right to use and license the use of a distinctive System for the establishment and operation of full-service restaurants featuring a specialized menu of hand-tossed pizza, fresh-ground burgers and related food items, and full bar service and operating under the trademark and service mark "BUBBA'S 33" ("**Bubba's 33 Restaurants**" or "**Restaurant**") and such other trade names, service marks, trademarks, logos, emblems, and indicia of origin, as are now designated, and may hereafter be designated, by Franchisor in writing for use in connection with the System ("**Marks**");

WHEREAS, Franchisee desires to use the System and the Marks in connection with the operation of a Bubba's 33 Restaurant, as well as to receive the training and other assistance provided by Franchisor, and understands and acknowledges the importance of complying with Franchisor's high standards of quality, cleanliness, appearance, and service and the necessity of operating the Restaurant in conformity with System Standards; and

WHEREAS, in reliance on Franchisee's representations, warranties, covenants, and agreements set forth herein, Franchisor wishes to grant Franchisee a franchise for the establishment and operation of a Bubba's 33 Restaurant upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. GRANT

A. Grant of Rights. Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, the right and license, and Franchisee hereby accepts the right and obligation, to operate a Bubba's 33 Restaurant under the Marks and the System at the Location (defined below) set forth in Attachment A in accordance with this Agreement.

B. Approved Location. The specific street address of the Restaurant location approved by Franchisor ("**Approved Location**" or "**Location**") will be located within the non-exclusive geographic area ("**Designated Area**") set forth in Attachment A. Franchisee acknowledges and agrees that it acquires no rights in and to the Designated Area, other than the right to select a site for the Restaurant from within the boundaries of the Designated Area. Following Franchisor's acceptance and Franchisee's acquisition of the Location, the address of the Approved Location shall be entered on Attachment A, and the Designated Area will be of no further force or effect. This Agreement does not grant to Franchisee the right or license to operate the Restaurant or to offer or sell any products or services described under this Agreement at or from any location other than the Approved Location.

C. Assigned Area.

(1) Upon Franchisee's acquisition of an Approved Location for the Restaurant, Franchisee will be assigned a primary area of operation ("**Assigned Area**") that will also be described in Attachment A. NO ASSIGNED AREA WILL EXCEED A CIRCLE WITH 7-MILE RADIUS FROM THE APPROVED LOCATIONS. Except as provided in this Agreement, and subject to Franchisee's full compliance with this Agreement and any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates, neither Franchisor nor any Affiliate will establish, or authorize any person or entity other than Franchisee to establish, a full-service Bubba's 33 Restaurant in the Assigned Area during the Term of this Agreement. Notwithstanding the above, Franchisor, any Bubba's 33 Franchisee,

and any other authorized person or entity will have the right, at any time, to market and promote the System and fill customer orders by providing catering and delivery services in the Assigned Area.

(2) Franchisor retains all rights inside and outside the Assigned Area except those that are expressly granted to Franchisee in this Agreement. Accordingly, Franchisor and its Affiliates, and any other authorized person or entity may, among other things: **(i)** advertise and promote the System within and outside the Assigned Area, **(ii)** operate, and license others to operate, Bubba's 33 Restaurants at any location outside the Assigned Area, including locations that are adjacent to the Assigned Area, **(iii)** except for the restriction against the establishment of another full-service Bubba's 33 Restaurant in the Assigned Area, offer and sell, and authorize others to offer and sell, collateral products and services including those offered and sold at Bubba's 33 Restaurants (such as pre-packaged food products, t-shirts, and other Bubba's 33 memorabilia) under the Marks or other marks at or from any location or through any channel of distribution (including, but not limited to, grocery stores, catalogs, the Internet, other retail or restaurant locations, and other food service facilities such as kiosks, concessions, food trucks, or multi-brand facilities providing a limited number or representative sample of the products and services normally offered by a full-service Bubba's 33 Restaurant); (**iv**) establish and operate, and license others to establish and operate, any business other than a full-service Bubba's 33 Restaurant, including other restaurants or food related businesses, under the Marks or under other marks, including restaurants or other businesses that Franchisor or its Affiliates may operate, acquire, or be acquired by, merge, or consolidate with; and (**v**) establish and operate, and license others to establish and operate, full-service Bubba's 33 Restaurants and other food service facilities in any Reserved Area whether or not located within the Assigned Area. A Reserved Area is any enclosed area of retail sales establishments in excess of 250,000 square feet, food courts, airports, hospitals, cafeterias, commissaries, schools, hotels and stadiums, arenas, ballparks, festivals, fairs, and other mass gathering locations or events.

D. Area of Primary Responsibility. After Franchisee's acquisition of an Approved Location for the Restaurant, Franchisee will also be assigned an area of primary responsibility ("**Area of Primary Responsibility**") by Franchisor, which will be set forth in Attachment A. Franchisee will make all commercially reasonable efforts to market and promote the Restaurant in the Area of Primary Responsibility in accordance with Section 8. of this Agreement. The Area of Primary Responsibility will not be exclusive to Franchisee for any purpose except to the extent it includes the Assigned Area.

E. Relocation. Franchisee will not relocate the Restaurant without the express prior written consent of Franchisor. If Franchisee is unable to continue the operation of the Restaurant at the Approved Location because of the occurrence of a Force Majeure event, then Franchisee may request approval of Franchisor to relocate the Restaurant to another location in the Assigned Area. Any request to relocate the Restaurant for any other reason will also be subject to the same procedures. If Franchisor elects to grant Franchisee the right to relocate the Restaurant, then Franchisee will comply with the site selection and construction procedures set forth in Section 2. of this Agreement.

2. SITE SELECTION, PLANS, AND CONSTRUCTION

A. Site Selection. Franchisee assumes all cost, liability, expense, and responsibility for locating, obtaining, and developing a site for the Restaurant within the Designated Area and for constructing and equipping the Restaurant at such site**.** Franchisor will provide to Franchisee written site selection guidelines and such site selection assistance as Franchisor may deem advisable, including such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site approval; provided, however, that Franchisor will not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site prepared and submitted in accordance with Section 2.B., below. Franchisor (or its designee) will provide one on-site evaluation for the Restaurant. Our current site evaluation fee is $500, plus expenses (including travel, lodging, and meals), which must be paid before the time of the site visit. This fee is charged uniformly to all franchisees under this offering, although the actual dollar amounts paid may vary depending on the number of site evaluations and the expenses we incur in performing the services. Site evaluation fees and expenses are nonrefundable. If additional on-site evaluations are deemed appropriate by Franchisor or Franchisee reasonably requests additional on-site evaluations, Franchisor reserves the right to charge a reasonable fee for performing each such evaluation, together with the payment or reimbursement of the reasonable expenses incurred by Franchisor (or its designee) in connection with such on-site evaluation. Reasonable expenses include, without limitation, the cost of travel, lodging, and meals**.**

B. Site Approval. Within 120 days from the Effective Date of this Agreement, Franchisee must locate and obtain Franchisor's approval of a site within the Designated Area suitable for the operation of the Restaurant and acceptable to Franchisor. Any proposed site for the Restaurant must satisfy Franchisor's site selection guidelines. Upon identifying a proposed site that meets such guidelines, Franchisee must submit to Franchisor (in the form specified by Franchisor) a description of the site, including demographic profile information and other evidence satisfactory to Franchisor demonstrating that the site satisfies Franchisor's site selection guidelines, together with such other information as Franchisor may reasonably require which confirms Franchisee's favorable prospects for obtaining the site. Franchisee agrees that it will submit such information to Franchisor not later than 60 days after the Effective Date of this Agreement. Franchisor will have 60 days after receipt of this information to approve or disapprove, in its sole discretion, the proposed site as the Location for the Restaurant. If Franchisee does not receive written notice from Franchisor regarding approval or disapproval of the proposed site within such 60 days, the proposed site will be deemed automatically disapproved. No site may be used for the Location of the Restaurant unless it is first approved in writing by Franchisor, and Franchisee will not make any binding commitment with respect to a site for the Restaurant prior to receipt of Franchisor's written approval in accordance with this Agreement. Franchisee acknowledges that Franchisor's approval of a site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty, or guarantee by Franchisor, express or implied, that the Restaurant operated at that site will be profitable or otherwise successful.

C. Site Acquisition; Environmental Audit; Lease or Contract of Sale. Within 180 days after Franchisor has approved the site for the Restaurant, Franchisee must acquire the site by purchase or lease, at Franchisee's expense, unless Franchisee obtains an extension of such time period from Franchisor in writing. Failure by Franchisee to acquire the site for the Restaurant within the time and in the manner required herein will constitute a material event of default under this Agreement.

(1) Before Franchisee enters into any binding agreement for the acquisition of the approved site, Franchisee must obtain and furnish to Franchisor a Phase I environmental site assessment ("**Environmental Audit**") of the site. The Environmental Audit must be prepared by a competent, reputable, environmental engineering firm and must contain or refer to all reports, studies, analyses, database searches, interviews, and visual inspections that indicate the potential or actual presence of hazardous or toxic materials in, on, or under the site or that relate to compliance by Franchisee's predecessors in interest with any environmental laws that apply to the site. Franchisor reserves the right to revoke its approval of the site if the Environmental Audit discloses any risk of contamination or unlawful uses that might expose the owner or lessee of the site to a liability in excess of $5,000 to clean up and eliminate the source of the contamination or unlawful use.

(2) Not later than 10 Business Days prior to the proposed date of execution, Franchisee will submit a copy of the proposed contract of sale or lease to Franchisor for its review and written consent. Franchisor will not consent to any contract of sale or lease which contains any term that is contrary to or inconsistent with any provision of this Agreement, nor will Franchisor consent to any lease unless a rider to the lease, in substantially the form of Attachment B to this Agreement, is attached to and incorporated in the lease. Franchisor's approval of a contract for sale or lease does not mean that the economic terms of the contract or lease are favorable; it means only that the contract or lease contains the terms relating to brand protection that Franchisor requires. Following Franchisor's consent and the execution of the lease or contract of sale, as applicable, Franchisee will furnish to Franchisor a copy of the executed contract of sale or lease within 10 days after execution. After a site for the Restaurant is approved by Franchisor and acquired by Franchisee pursuant to this Agreement, the address of the Location will be entered in Attachment A.

D. Zoning, Permits, Licenses. Franchisee will be responsible for obtaining all zoning classifications and clearances, including approval of the standard Bubba's 33 building materials and signage, which may be required by state or local laws, ordinances, or regulations or which may be necessary as a result of any restrictive covenants relating to the Restaurant premises (including, without limitation, those relating to zoning, easements, curb cuts, building height, signage, building materials, environmental matters, setbacks, and special conditions). Prior to beginning the construction or remodeling of the Restaurant, Franchisee will **(i)** obtain all permits, licenses, and certifications required for the lawful construction or remodeling of the Restaurant (including sign placement), **(ii)** ensure that a liquor license will be issued upon completion of the Restaurant, **(iii)** provide to Franchisor a comprehensive construction schedule detailing site specific construction and development activities, and **(iv)** certify in writing to Franchisor that the insurance coverage specified in Section 7. is in full force and effect and that all required approvals, clearances, permits, and certifications have been obtained. Upon request, Franchisee will provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits, and certifications.

E. Plans. Franchisee, at their own expense, must independently obtain any architectural, engineering, and design services necessary for the construction or remodeling of the Restaurant at its own expense. Franchisee will adapt the prototypical architectural and design plans provided to Franchisee by Franchisor in accordance with Section 5.C. as necessary for the construction or remodeling of the Restaurant and will submit such adapted plans to Franchisor for review and approval. Alternatively, at Franchisor's discretion, Franchisee must prepare and submit to Franchisor for Franchisor's review architectural and design plans for the Restaurant conforming to Franchisor's specifications provided under Section 5.C. All such architectural and design plans (whether adapted from Franchisor's prototypical plans or designed to conform to Franchisor's specifications) must be provided to Franchisor for review and approval prior to the commencement of construction or remodeling of the Restaurant premises. If Franchisor determines, in its sole discretion, that any such plans are not consistent with the best interests of the System, Franchisor may prohibit the implementation of such plans, and in this event, will notify Franchisee of any objections within 60 days of receiving such plans. If Franchisor fails to notify Franchisee of any objections to the plans within this time period, Franchisee may use such plans. If Franchisor objects to any such plans, it will provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Franchisor will notify Franchisee within 30 days of receiving the resubmitted plans whether the plans are acceptable. If Franchisor fails to notify Franchisee of any objection within such time period, Franchisee may use the resubmitted plans.

F. Construction. Franchisee will commence and diligently pursue construction or remodeling of the Restaurant, as applicable. Commencement of construction or remodeling will be defined as the time at which any site work is initiated by or on behalf of Franchisee at the Approved Location. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls, and demolishing of any existing premises. During the time of construction or remodeling, Franchisee will provide to Franchisor such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor. Franchisor may provide one on-site inspection visit at no additional charge, except that Franchisee must pay or reimburse Franchisor's reasonable expenses. If Franchisor determines that additional on-site inspections are necessary, or if Franchisee reasonably requests additional on-site inspections, Franchisee must pay Franchisor a fee for the inspection and must pay or reimburse Franchisor for reasonable expenses incurred while performing the inspection, like the cost of travel, lodging, and meals. Franchisee will notify Franchisor of the scheduled date for completion of construction or remodeling not later than 60 days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor will, at its option, conduct an inspection of the completed Restaurant. Franchisee acknowledges and agrees that Franchisee will not open the Restaurant for business without the prior written authorization of Franchisor and that authorization to open will be conditioned upon Franchisee's strict compliance with this Agreement and System Standards.

G. Opening Date.

(1) Subject to Franchisee's compliance with the conditions stated herein, Franchisee will open the Restaurant and commence business within 240 days after the Effective Date of this Agreement, unless Franchisee obtains an extension of such time period from Franchisor in writing. Franchisee acknowledges that time is of the essence. The date the Restaurant opens for business to the public as provided herein ("**Opening Date**") will be set forth in Attachment A.

(2) Prior to opening, Franchisee will complete all exterior and interior preparations for the Restaurant, including installation of equipment, fixtures, furnishings, and signs, pursuant to the plans and specifications approved by Franchisor, and will comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Sections 6.B.-G., to Franchisor's satisfaction. Within 30 days following the issuance of the certificate of occupancy, Franchisee will provide Franchisor with a copy of such certificate of occupancy, together with all such other information relating to the construction of the Restaurant, as Franchisor may require. If Franchisee fails to comply with any of such obligations, Franchisor will have the right to prohibit Franchisee from commencing business. Franchisee's failure to open the Restaurant and commence business in accordance with the foregoing will be deemed a material event of default under this Agreement.

3. TERM AND RENEWAL

A. Initial Term. Unless sooner terminated, as provided in Section 17. hereof, the term of this Agreement ("**Term**") will continue from the Effective Date until the earlier of 10 years from Opening Date.

B. Renewal. Franchisee may, at its option, renew the rights under this Agreement for two additional consecutive terms of five years each (provided that such renewal term will automatically terminate upon the expiration or termination of Franchisee's right to possess the Restaurant premises), subject to any or all of the following conditions which must, in Franchisor's discretion, be met prior to and at the time of renewal:

(1) Franchisee must give Franchisor written notice of Franchisee's election to renew not less than six months nor more than 12 months prior to the end of the initial Term or first renewal term, as applicable;

(2) Franchisee will repair or replace, at Franchisee's cost and expense, equipment (including computer hardware and software), signs, interior and exterior decor items, fixtures, furnishings, catering or delivery vehicles, if applicable, supplies, and other products and materials required for the operation of the Restaurant as Franchisor may reasonably require and will obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies, and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Restaurant or to provide the Restaurant's services by alternative means such as through carry-out, catering, or delivery arrangements and will otherwise modernize the Restaurant premises, equipment (including computer hardware and software), signs, interior and exterior decor items, fixtures, furnishings, catering or delivery vehicles, if applicable, supplies, and other products and materials required for the operation of the Restaurant, as reasonably required by Franchisor to reflect the then-current Standards and image of the System as contained in the Manuals or otherwise provided in writing by Franchisor;

(3) Franchisee must not be in default, and must not have previously been in default, of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates, and Franchisee must have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(4) Franchisee must have satisfied all monetary obligations owed by Franchisee to Franchisor and its Affiliates under this Agreement and any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates and must have timely met those obligations throughout the terms thereof;

(5) Franchisee must present to Franchisor satisfactory evidence that the Restaurant premises and surrounding area continue to satisfy the System's site selection and image Standards and that Franchisee has the right to remain in possession of the Restaurant premises or obtain Franchisor's approval of a new site for the operation of the Restaurant for the duration of the renewal term of this Agreement;

(6) FRANCHISEE MUST EXECUTE FRANCHISOR'S THEN-CURRENT FORM OF FRANCHISE AGREEMENT, which agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee, a higher marketing contribution or expenditure requirement, and a more restrictive Assigned Area; provided, that Franchisee will pay to Franchisor, in lieu of an initial franchise fee, a renewal fee equal to the greater of 30% of the then-current initial franchise fee or $20,000, plus all amounts necessary to reimburse Franchisor for its reasonable out-of-pocket costs and expenses associated with renewing the franchise, including, without limitation, legal and accounting fees;

(7) Franchisee and its Principals must execute a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and, its parent, Affiliates**,** successors, and assigns, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state, and local laws, rules, and regulations; and

(8) Franchisee must comply with Franchisor's then-current qualification and training requirements.

4. <u>FEES</u>

A. <u>Initial franchise fee</u>. Franchisee will pay to Franchisor an initial franchise fee of $40,000, $20,000 of which will be paid upon the execution of this Agreement; $10,000 of which will be paid upon the commencement of construction of the Restaurant (as defined in <u>Section 2.F.</u>); and the remaining $10,000 of which will be paid four weeks before the Opening Date. The installments of the initial franchise fee when so paid will be deemed fully earned and nonrefundable in consideration of the administrative and other expenses incurred by Franchisor in granting the license hereunder and for its lost or deferred opportunity to grant such license to any other party.

B. <u>Royalty Fee; Royalty Report</u>.

(1) During the Term of this Agreement, Franchisee will pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee of 4% of Gross Sales. The royalty fee and any other periodic fee required by the Agreement will be due and payable each month based on the Gross Sales for the preceding month and will be paid so that it is received by Franchisor on or before the 10th day following the end of each month, provided that such day is a Business Day. If the date on which such payments would otherwise be due is not a Business Day, then payment will be due on the next Business Day.

(2) Each royalty fee payment will be accompanied by a report ("**Royalty Report**") itemizing the Gross Sales for the preceding month and any other reports required hereunder. Notwithstanding the foregoing, Franchisee will provide Franchisor with **(a)** such Gross Sales information as Franchisor may request on the fifth day of each month (or next Business Day if the fifth day is not a Business Day) and **(b)** a weekly report ("**Weekly Sales Report**") on or before 5:00 p.m. (Eastern Time) each Wednesday of Gross Sales of the Restaurant for the preceding week. All reports will be provided by facsimile transmission, by telephone, or by such other means as Franchisor may reasonably designate.

C. Electronic Funds Transfer. Upon execution of this Agreement, and at any time thereafter as Franchisor may require, Franchisee will execute Attachment F to this Agreement and all other documents and instruments necessary to permit Franchisor to withdraw by electronic funds transfer from Franchisee's designated bank account the royalty fee, marketing contribution, and any other amounts owed to Franchisor or its Affiliates on the date or dates that such amounts are due. For payments based on Gross Sales, Franchisee agrees that Franchisor may calculate the amounts due based on its electronic review of Franchisee's records (as further described in Section 7.E.(9) below) or, in its discretion, on the Royalty Report for the applicable period. If the Royalty Report for the applicable period has not been received within the time period required by this Agreement, then Franchisor may base the amount due on Franchisee's Gross Sales during the most recent prior period for which Franchisee has reported Gross Sales. If information for the applicable period is subsequently received, and reflects **(i)** that the actual amount due was more than the amount of the payment, then Franchisor will be entitled to withdraw additional funds representing the amount of the difference, or **(ii)** that the actual amount due was less than the amount of the payment, then Franchisor will credit the excess amount to the payment of Franchisee's future obligations, as applicable. Franchisee agrees that it will be responsible for any transfer fee or similar charge imposed by the processing bank and for the amount of the payment due (plus any service charge) should any electronic funds transfer not be honored for any reason. If payments are not received when due, interest may be charged by Franchisor in accordance with Section 4.D. below. To facilitate the implementation of this Section 4.C., Franchisee further agrees that it will, at all times throughout the Term of this Agreement, maintain a minimum balance of $12,000 in Franchisee's bank account designated in Attachment F.

D. Overdue Payments. Franchisee is not entitled to withhold payments due Franchisor under this Agreement on grounds of alleged nonperformance by Franchisor hereunder. Any payment or Royalty Report not actually received by Franchisor on or before the date due will be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement will bear interest beginning five days after the date due until paid at the lesser of **(i)** 18% per annum, or **(ii)** the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement will require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest in such respect is herein provided for, or is adjudicated to be so provided in this Agreement, the provisions of this paragraph will govern and prevail, and neither Franchisee nor its Principals will be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law is deemed charged, required, or permitted, any such excess will be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess will be repaid to the party that paid such interest.

E. Gross Sales. For the purposes of determining the royalties to be paid hereunder, "**Gross Sales**" means the total selling price of all services and products and all income of every other kind and nature related to the Restaurant, whether for cash or credit and regardless of collection in the case of credit. Proceeds from the sale of coupons, gift cards, gift certificates, or vouchers will not be included in Gross Sales when the coupons, gift cards, gift certificates, or vouchers are sold; rather, the retail price of services and products purchased with coupons, gift cards, gift certificates, or vouchers will be included in Gross Sales during the period in which the coupon, gift card, gift certificate, or voucher is redeemed.

"**Gross Sales**" expressly excludes the following:

(1) Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state, or local governments, collected by Franchisee in the operation of the Restaurant, and any other tax, excise, or duty which is levied or assessed against Franchisee by any federal, state, municipal, or local authority, based on sales of specific merchandise sold at or from the Restaurant, provided that such taxes are actually transmitted to the appropriate taxing authority;

(2) Tips or gratuities paid directly by Restaurant customers to employees of Franchisee or paid to Franchisee and then turned over to such employees by Franchisee in lieu of direct tips or gratuities;

(3) Returns to shippers or manufacturers;

(4) Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Restaurant nor having any material effect upon the ongoing operation of the Restaurant required under this Agreement;

(5) The value of any meals provided to Franchisee's employees as an incident to their employment, except to the extent that Franchisee receives payment for such meals; and

(6) Any proceeds resulting from the sale of the Restaurant or Franchisee's rights hereunder.

Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time, in writing, by Franchisor in its sole discretion.

F. Other Fees. Franchisee will pay such other fees or amounts described in this Agreement.

5. FRANCHISOR'S OBLIGATIONS

Franchisor agrees to provide or arrange for the provision of the services described below with regard to the Restaurant:

A. Site Selection Assistance. Written site selection guidelines and such site selection assistance as Franchisor deems advisable.

B. On-Site Evaluations. On-site evaluation of the Approved Location pursuant to the terms of this Agreement, the sufficiency of which Franchisee hereby acknowledges.

C. Architectural Plans. On loan, a set of prototypical architectural and design plans for a Bubba's 33 Restaurant, or, at Franchisor's discretion, specifications for such Restaurant. Franchisee will independently, and at Franchisee's expense, have such prototypical architectural and design plans adapted for construction or remodeling of the Restaurant or will prepare architectural and design plans for the Restaurant in accordance with Franchisor's specifications.

D. Manuals. On loan, access to one set of Manuals that Franchisor has developed for use in the franchised business. Franchisor may elect to provide the Manuals in digital format only with Franchisee having access via the Internet or Franchisor's internal Intranet.

E. Software. At Franchisor's discretion, for a reasonable cost, certain computer software to be used in the operation of the Restaurant, which may be licensed to Franchisee by Franchisor or its Affiliate or a third party designated or approved by Franchisor, and/or ongoing support, which may be provided by Franchisor, its Affiliate, or a third party designated or approved by Franchisor. If Franchisor licenses such computer software to Franchisee, then Franchisor will also make available to Franchisee at a reasonable cost any upgrades, enhancements, or replacements to the software that are developed from time to time by or on behalf of Franchisor.

F. Quality Inspections. Visits to the Restaurant and evaluations of the products sold and services rendered therein from time to time as reasonably determined by Franchisor, as more fully described in Section 7.E.(6).

G. Marketing Materials. Certain marketing and promotional materials and information developed or acquired by Franchisor from time to time for use by Franchisee in marketing and conducting local marketing for the Restaurant at a reasonable cost to Franchisee. Franchisor will have the right to review and approve or disapprove all marketing and promotional materials that Franchisee proposes to use, pursuant to Section 8.

H. Operational Advice. From time to time, advice and written materials concerning techniques of managing and operating the Restaurant, including new developments and improvements in restaurant equipment and food products and the packaging and preparation thereof.

I. Collateral Merchandise, Equipment, and Decor. From time to time, and at Franchisor's sole discretion, Franchisor may make available, at a reasonable cost, for resale to Franchisee's customers, certain merchandise identifying the System, such as pre-packaged food products and Bubba's 33 memorabilia. Similarly, at Franchisor's sole discretion, Franchisor may make available from time to time certain restaurant equipment and decor items at a reasonable cost.

J. Supplier List. From time to time, as Franchisor deems appropriate, a list of approved and required suppliers as described in Section 7.D.

K. Training. An initial training program and other training programs for Franchisee's Operating Principal, Managers, and other Restaurant personnel in accordance with the provisions of Section 6.F.(1)-(3).

L. Opening Assistance. On-site pre-opening and opening assistance at the Restaurant in accordance with the provisions of Section 6.F.(4).

6. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES, AND COVENANTS

A. Restaurant Operations. Each of Franchisee and the Controlling Principals covenants and agrees that Franchisee will make all commercially reasonable efforts to operate the Restaurant so as to achieve optimum sales.

B. Organization and Ownership Information. If Franchisee is a corporation, partnership, limited liability company, or other form of legal entity, Franchisee and the Controlling Principals represent, warrant, and covenant that:

(1) Franchisee is duly organized and validly existing under the state law of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) Franchisee's corporate charter, written partnership agreement, written limited liability company operating agreement, or other governing documents will at all times provide that the activities of Franchisee are confined exclusively to the operation of the Restaurant, unless otherwise consented to in writing by Franchisor, and will contain no term that is contrary to or inconsistent with any provision of this Agreement, as determined by Franchisor in its sole discretion;

(4) The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation or limited liability company, or if Franchisee is a partnership, permitted under Franchisee's written partnership agreement, and have been duly authorized by Franchisee;

(5) If Franchisee is a corporation, partnership, limited liability company, or other entity, Franchisee will have provided to Franchisor, prior to the execution of this Agreement, true and correct copies as applicable of Franchisee's articles of incorporation, bylaws, partnership agreement, articles of organization, and limited liability company operating agreement and other governing documents and any amendments thereto, as well as resolutions of the Board of Directors, partners, or members authorizing entry into and performance of this Agreement. During the Term of this Agreement, Franchisee will promptly provide to Franchisor true and correct copies of any amendments or other changes to such governing documents. No such documents will contain any provision that is contrary to or inconsistent with any provision of this Agreement;

(6) If Franchisee is a corporation, partnership, limited liability company or other form of legal entity, the ownership interests in Franchisee are accurately and completely described in Attachment C. Further, if Franchisee is a corporation, Franchisee will maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee or, if Franchisee is a partnership or other form of legal entity, Franchisee will maintain at all times a current list of all owners of

an interest in the partnership or entity. Franchisee will make its list of owners available to Franchisor upon request;

(7) If Franchisee is a corporation, Franchisee will maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation will have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section will not apply to the transfer of equity securities of a Publicly-held Corporation (as defined in Section 19.R.). If Franchisee is a partnership or limited liability company, their respective, written partnership agreement and operating agreement will provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement;

(8) Franchisee and, at Franchisor's request, each of the Controlling Principals, have provided Franchisor with the most recent financial statements of Franchisee and such Controlling Principals. Such financial statements present fairly the financial position of Franchisee and each of the Controlling Principals, as applicable, at the dates indicated therein and with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Franchisee agrees that it will maintain at all times, during the Term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above has been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, marketing claims, commitments, or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise, which are not reflected as liabilities on the financial statements of Franchisee or the Controlling Principals. Franchisee will provide Franchisor with any and all loan or other documents regarding the financing of its franchised business that Franchisor may request;

(9) If, after the execution of this Agreement, any person ceases to qualify as one of Franchisee's Principals (defined in Section 19.Q.), or if any individual succeeds to or otherwise comes to occupy a position which would, upon designation by Franchisor, qualify him or her as one of Franchisee's Principals, Franchisee will notify Franchisor within 10 days after any such change and, upon designation of such person by Franchisor as one of Franchisee's Principals or as a Controlling Principal, as the case may be, such person must execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor to be executed by others in such positions; and

(10) Franchisee's Controlling Principals must execute the Controlling Principals' Guaranty and Assumption Agreement following the signature page to this Agreement and will, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants, and agreements hereunder and will otherwise bind themselves to the terms of this Agreement as stated therein. Franchisee's Principals that are not Controlling Principals must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete which forms Attachment D to this Agreement.

Franchisee and the Controlling Principals acknowledge and agree that the representations, warranties, and covenants set forth above in Sections 6.B.(1)-(10) are continuing obligations of Franchisee and the Controlling Principals, as applicable, and that any failure to comply with such representations, warranties, and covenants will constitute a material event of default under this Agreement. Franchisee and the Controlling Principals will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties, and covenants.

C. Operating Principal.

(1) Franchisee agrees to designate and to retain at all times during the Term of this Agreement one of its Principals as its Operating Principal. The Operating Principal must have at least ten percent 10% ownership in Franchisee and must meet Franchisor's qualifications for such position, but Franchisee is responsible for selecting the Operating Principal and for all other aspects of his or her employment. The Operating Principal for all Bubba's 33 Restaurants operated by Franchisee and its

Affiliates must be the same person. The Operating Principal must devote full time and best efforts to the supervision of the Restaurant (and any other Bubba's 33 Restaurant operated by Franchisee and its Affiliates) and, without Franchisor's written consent, must not engage in any other business. Franchisee's Operating Principal must be empowered with full authority to act for Franchisee, and Franchisee hereby authorizes Franchisor to communicate directly with and rely on all such communications with the Operating Principal. Franchisee will promptly notify Franchisor in writing if the Operating Principal cannot continue or no longer qualifies to serve in that capacity. Franchisee must take corrective action within 60 days after any such notice. During such 60-day period, Franchisee must provide for interim management of Franchisee's operations in accordance with this Agreement. Any failure to comply with this Section 6.C.(1). will be a material breach of this Agreement.

(2) At all times from and after the Opening Date, Franchisee must employ **(i)** a full-time "**Managing Partner**" who will be responsible for overseeing the day-to-day operation of the Restaurant, and **(ii)** a full-time "**Kitchen Manager**" who will have primary responsibility (subject to the Managing Partner's oversight) for the operation of the kitchen at the Restaurant. The Managing Partner, Kitchen Manager, and any other Managers Franchisor may specify from time to time must satisfy Franchisor's qualifications and must have completed the initial training program to Franchisor's satisfaction, in Franchisor's sole discretion. In the event of the resignation, termination, incapacity, or death of any Managing Partner or Kitchen Manager, Franchisee will have a period of 30 days after any such event to complete arrangements for a replacement who satisfies Franchisor's qualifications and completes Franchisor's initial training program to Franchisor's satisfaction within 60 days following his or her date of hire.

D. Multi-unit Manager. If this Agreement relates to the second Restaurant that Franchisee and its Affiliates own, concurrently with the execution of this Agreement, Franchisee will designate and retain at all times a multi-unit manager ("**Multi-unit Manager**") to supervise the Managing Partners and the operations of each Bubba's 33 Restaurant that Franchisee and its Affiliates own. A Multi-unit Manager may not supervise more than twelve Restaurants and, unless Franchisor otherwise agrees, Franchisee will be obligated to designate and retain an additional Multi-unit Manager not later than the time that Franchisee and its Affiliates open their eleventh Restaurant. The Multi-unit Manager may not be involved in or supervise any other business or restaurant concept that is not a Bubba's 33 restaurant. The Multi-unit Manager, may, but need not, be the same person as the Operating Principal. Each Multi-unit Manager will, during the entire period he or she serves as a Multi-unit Manager, meet the following qualifications

(1) The Multi-unit Manager must devote full time and best efforts to the supervision of the Managing Partners of the Restaurants operated by Franchisee and its Affiliates. Without limitation of the foregoing, the Multi-unit Manager will ensure that the Managing Partner of each such Restaurant complies with Franchisor's Standards regarding recruiting, staff selection, training, service, kitchen and shift staffing requirements, wait person station size, menus, recipes, kitchen food quality, and plate presentation, temperature, and preparation time guidelines..

(2) The Multi-unit Manager must satisfy Franchisor's educational and business experience criteria as set forth in the Manuals and must satisfy Franchisor's training requirements.

(3) If, during the Term of this Agreement, the Multi-unit Manager assigned to supervise the Restaurants is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee will promptly notify Franchisor and designate a replacement within 60 days after the Multi-unit Manager ceases to serve, such replacement being subject to the same qualifications listed above. Franchisee will provide for interim supervision of the Restaurant until such replacement is so designated, such interim supervision to be conducted in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section will be deemed a material event of default under this Agreement.

E. Other Specified Personnel. Franchisee will employ such additional Managers and support personnel for the Restaurant as Franchisor from time to time designates in the Manuals. Franchisee will hire people for these positions who possess the qualifications and skills to comply with the System

Standards. Prior to hiring people for management or key hourly positions, Franchisee will provide to Franchisor for Franchisor's approval a summary of each such person's experience and qualifications for the position to be filled. Franchisee will ensure that each such employee receives the initial and supplemental training that Franchisor requires. If Franchisor assigns a multi-Restaurant supervisory or oversight role to any such position, Franchisee will comply with Franchisor's guidelines for determining the number of Restaurants an individual may supervise or serve and, if appropriate, for sharing the individual's compensation with Franchisor and operators of other Restaurants.

F. Training and Assistance. Franchisee agrees that it is necessary to the continued operation of the System and the Restaurant that the Operating Principal (including any successor or replacement Operating Principal) and other Restaurant personnel receive such training as Franchisor may require. Accordingly, Franchisee agrees as follows:

(1) Not later than 180 days prior to the Opening Date, Franchisee's Operating Principal, Multi-unit Manager (if a new Multi-unit Manager must be hired in connection with the Restaurant's opening), up to five Managers selected by Franchisee (Managing Partner, Kitchen Manager, and other Managers) and approved by Franchisor will attend Franchisor's initial training program. Training will be completed, to Franchisor's satisfaction, not later than 45 days prior to the Opening Date. Franchisor may, in its discretion, extend the initial training program for any Operating Principal, Multi-unit Manager, or Manager in order to satisfy itself of his or her capabilities. Such an extension may delay the opening of the Restaurant. Training will be conducted by Franchisor or its designee at a Bubba's 33 Restaurant operated by Franchisor or its Affiliate or other location designated by Franchisor. If the Restaurant is the first Bubba's 33 Restaurant developed by Franchisee, Franchisor will provide instructors and training materials for the initial training of the Operating Principal and Managers at no additional charge to Franchisee. Notwithstanding the foregoing sentence, if Franchisee controls, is controlled by, or is under common control with one or more other franchisees that have previously established Bubba's 33 Restaurants, Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor. Franchisor also reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any initial Operating Principal, Multi-unit Manager, Manager, or other restaurant personnel for any Bubba's 33 Restaurant established by Franchisee subsequent to the first such Bubba's 33 Restaurant and otherwise for any initial training provided to any replacement or successor Operating Principal, Multi-unit Manager, Manager, or other restaurant personnel, whether for Franchisee's first or a subsequent Restaurant, if Franchisee is not approved by Franchisor to provide such training. Franchisee will be responsible for any and all expenses incurred by Franchisee, its Operating Principal, Multi-unit Manager, Managers, and other Restaurant personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals, and wages.

Franchisor will determine, in its sole discretion, whether the Operating Principal, the Multi-unit Manager, and the Managers have satisfactorily completed initial training. If the initial training program is not satisfactorily completed by the Operating Principal, the Multi-unit Manager, or any Manager, or if Franchisor in its reasonable business judgment based upon the performance of the Operating Principal, the Multi-unit Manager, or any Manager determines that the training program cannot be satisfactorily completed by any such person, Franchisee will designate a replacement to satisfactorily complete such training. Any Operating Principal, Multi-unit Manager, or Manager subsequently designated by Franchisee will also receive and complete such initial training.

(2) Franchisee's Operating Principal, Multi-unit Manager, Managers, and such other Restaurant personnel as Franchisor designates will attend such additional training programs and seminars as Franchisor may offer from time to time, if Franchisor requires such attendance. For all such programs and seminars, Franchisor will provide the instructors and training materials. However, Franchisor reserves the right to impose a reasonable fee for such additional training programs and seminars. Franchisee will be responsible for any and all expenses incurred by Franchisee, its Operating Principal, Multi-unit Manager, Managers, and other Restaurant personnel in connection with such additional training, including, without limitation, costs of travel, lodging, meals, and wages. In addition, Franchisor may from time to time require certain personnel employed by Franchisee to attend periodic system-wide meetings held at locations

designated by Franchisor to address matters of general interest to the System. Franchisee will cause all required personnel to attend such meetings and will be responsible for the travel expenses, room, board, and wages of its personnel attending the meetings.

(3) Notwithstanding the above, upon the request of Franchisor, and at all times subject to Franchisor's approval, Franchisee will, at its expense, conduct the initial training program and other training programs required by Franchisor for any Operating Principal, Multi-unit Manager, Manager, or other Restaurant personnel for any Bubba's 33 Restaurant developed by Franchisee subsequent to the first such Bubba's 33 Restaurant and for any replacement or successor Operating Principal, Multi-unit Manager, Manager, and other Restaurant personnel at any of Franchisee's Bubba's 33 Restaurants. Prior to approving Franchisee to provide training, Franchisor will have the right to evaluate Franchisee's Restaurant operations to determine whether they comply with Franchisor's operational requirements and to certify those persons whom Franchisee will use to conduct training. Franchisee will pay a reasonable fee, plus expenses, to Franchisor in connection with obtaining training certification. If Franchisor determines, in its discretion, that any such person has not satisfactorily completed training, Franchisor may require such person to be retrained by Franchisor and may require Franchisee to pay a retraining fee, plus expenses. Franchisor's approval of Franchisee to conduct training may be revoked at any time if Franchisee fails to continue to meet Franchisor's operational and training standards as determined by Franchisor in Franchisor's sole discretion.

(4) In connection with the opening of the Restaurant and following Franchisor's receipt of funds for those fees referenced in <u>Section 4.A.</u> above, Franchisor will provide to Franchisee or arrange for the provision of an opening crew of trained representatives. The opening crew will provide on-site pre-opening and opening training, supervision, and assistance to Franchisee for a period of time ranging from 15 to 20 days ("**Opening Assistance**"). Franchisor may, in its sole discretion, extend the number of days of the Opening Assistance. The number of opening crew representatives and the number of days of the Opening Assistance will be determined by Franchisor based upon its assessment of Franchisee's operational requirements. For all members of the opening crew in excess of one, Franchisee will pay the fee then being charged to franchisees generally for opening crew assistance and will pay or reimburse Franchisor or its designee for any expenses incurred by opening crew members, such as costs of travel, lodging, and meals. Franchisee will deposit with Franchisor or its designee all amounts that may be necessary to discharge estimated opening crew costs and expenses. Franchisee must make the deposit before Franchisor will schedule dates of availability or make travel arrangements for the opening crew.

(5) Upon the reasonable request of Franchisee, or as Franchisor deems appropriate, Franchisor will, during the Term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who will provide on-site remedial training to Franchisee's Restaurant personnel. Franchisee will pay the fee then being charged to Franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

G. <u>Agreements with Respect to Management Personnel</u>. Franchisee and the Controlling Principals understand that compliance with Franchisor's training, development, and operational requirements is an essential and material element of the System and that Franchisor and all franchisees operating under the System consequently expend substantial time, effort, and expense in training management personnel for the development and operation of their respective Bubba's 33 Restaurants. Accordingly, if Franchisee or any Controlling Principal, during the Term of this Agreement, designates as a Multi-unit Manager, or employs in a managerial, supervisory, or trainer position any individual who is at the time or was within the preceding 60 days employed in a managerial, supervisory, or trainer position by Franchisor or any of its Affiliates or any Bubba's 33 franchisees, including, but not limited to, individuals employed to work in Bubba's 33 Restaurants operated by Franchisor or any Affiliate or by any other franchisee, then Franchisee and the Controlling Principals agree to pay the former employer of such individual an amount equal to the reasonable costs and expenses, of whatever nature or kind, incurred by the former employer in connection with the training of such employee. The parties agree that such expenditures may be uncertain and difficult to ascertain and therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six-month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer will be paid by Franchisee or the applicable Controlling Principal, as the case may be, prior to such individual assuming the position of Multi-unit Manager or other managerial position. The parties expressly acknowledge and agree that no current or former employee of Franchisor, its Affiliates, Franchisee, or of any other entity operating under the System will be a third party beneficiary of this Agreement or any provision hereof, except for the covenant stated in the immediately preceding sentence. Franchisor hereby expressly disclaims any representations and warranties regarding the performance of any employee or former employee of Franchisor, its Affiliates, or any Bubba's 33 franchisee who is designated as Franchisee's Multi-unit Manager or employed by Franchisee or any of the Controlling Principals in any capacity, and Franchisor will not be liable for any losses, of whatever nature or kind, incurred by Franchisee or any Controlling Principal in connection therewith.

H. Legal Compliance. Franchisee will comply with all requirements of federal, state, and local laws, rules, regulations, and orders, including Department of Labor regulations. Franchisee will comply with all other requirements and perform such other obligations as provided hereunder.

7. RESTAURANT OPERATIONS

A. Standards. Franchisee understands the importance of maintaining uniformity among all Bubba's 33 Restaurants and the importance of complying with all of Franchisor's Standards**,** specifications, policies, and procedures relating to the operation of the Restaurant. Notwithstanding the foregoing, if, in the reasonable judgment of Franchisor, local conditions or other special circumstances warrant a deviation from such Standards, specifications, policies, or procedures, then Franchisor may allow such deviation.

B. Maintenance. Franchisee will maintain the Restaurant in a high degree of sanitation, repair, and condition, and in connection therewith, will make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such biannual repainting or restaining of building, replacement of obsolete signs, furnishings, equipment (including, but not limited to, computer hardware, software, and related documentation), and decor as Franchisor may direct and to obtain, at Franchisee's cost and expense, any new or additional equipment (including computer hardware, software, and related documentation), fixtures, supplies, and other products and materials which may be required by Franchisor for Franchisee to offer and sell new menu items from the Restaurant or to provide the Restaurant's services by alternative means, such as through carry-out, catering, or delivery arrangements. Except as may be expressly provided in the Manuals, no alterations or improvements or changes of any kind in design, equipment, signs, interior, or exterior decor items, fixtures, or furnishings will be made in or about the Restaurant or its premises without the prior written approval of Franchisor.

C. Improvements and Modernization. Franchisee will, upon the request of Franchisor, make other improvements to modernize the Restaurant premises, equipment (including computer hardware, software, and related documentation), signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for the operation of the Restaurant, to Franchisor's then-current standards and specifications. Notwithstanding the above, Franchisee agrees that it will make such capital improvements or modifications described in this Section 7.C. if so requested by Franchisor on or before the third anniversary of the Opening Date, or at such other time during the Term of this Agreement that a majority of the Bubba's 33 Restaurants then operated by Franchisor or its Affiliates have made or are utilizing best efforts to make such improvements or modifications.

D. Standards and Specifications; Approved and Designated Suppliers.

(1) Franchisee will comply with all of Franchisor's Standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware, software, and related documentation), decor items, signs, catering, or delivery vehicles and other products used or offered for sale at the Restaurant. Franchisee will obtain such items from suppliers (including manufacturers, distributors, and other sources) we require

or approve. Approved suppliers must continually demonstrate the ability to meet Franchisor's then-current standards and specifications for these and other items used or offered for sale at Bubba's 33 Restaurants; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier; and who have not thereafter been disapproved by Franchisor. If Franchisee desires to purchase, lease, or use any products or other items from an unapproved supplier, Franchisee must submit to Franchisor a written request for such approval, or will request the supplier itself to do so. Franchisee will not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor will have the right to require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor, for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test will be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier. Franchisee acknowledges and agrees that **(a)** Franchisor may change the number of approved suppliers at any time and may designate itself, an Affiliate, or a third party as the exclusive source for any particular item; **(b)** Franchisor may profit from Franchisee's purchases from approved suppliers; and **(c)** Franchisor and/or its Affiliates may receive payments, fees, commissions, or reimbursements from such suppliers in respect of Franchisee's purchases.

(2) Notwithstanding the procedures set forth in <u>Section 7.D.(1)</u> above, prior to purchasing any furniture, fixtures, and equipment for the Restaurant, Franchisee will submit detailed specifications therefor to Franchisor for its approval.

(3) Franchisee acknowledges and agrees that products, equipment, and technology are constantly changing, whether updated, improved, replaced, or discontinued. Consequently, such changes sometimes create transition and incompatibility challenges. By entering into this Agreement, Franchisee acknowledges the potential of such occurrences and assumes all risk associated therewith, which Franchisee acknowledges may affect Franchisee's ability to order, receive, or sell products and/or offer services for a period of time and further acknowledges that Franchisor is not responsible for any damages caused by such issues or occurrences, including lost sales or profits.

E. <u>Operations</u>. To ensure that the highest degree of quality and service is maintained, Franchisee will operate the Restaurant in strict conformity with the methods, Standards, and specifications of Franchisor, as set forth in the Manuals, and as may from time to time otherwise be prescribed in writing. In particular, and without limitation of the foregoing, Franchisee also agrees:

(1) To sell or offer for sale all menu items, products, and services required by Franchisor and utilizing the method, manner, and style prescribed by Franchisor, including, but not limited to, dine-in, carry-out, catering, and delivery services, as expressly authorized by Franchisor in writing. Franchisee agrees to comply with the terms of any such program and to execute such documents or instruments that Franchisor may deem necessary in connection therewith.

(2) To sell and offer for sale only the menu items, products, and services that have been expressly approved for sale in writing by Franchisor; to discontinue selling and offering for sale any menu items, products, or services and any method, manner, or style of distribution which Franchisor may, in its sole discretion, disapprove in writing at any time; and to refrain from deviating from Franchisor's Standards and specifications without Franchisor's prior written consent.

(3) To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to Franchisor's Standards and specifications; to prepare all menu items in accordance with Franchisor's recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's Standards

and specifications by the use or offer of non-conforming items or differing amounts of any items, without Franchisor's prior written consent.

(4) To permit Franchisor or its agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from Franchisee's inventory, or from the Restaurant, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current Standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications.

(5) To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including computer hardware, software, and related documentation), decor items, signs, catering, or delivery vehicles, and related items as Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Restaurant premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, catering, or delivery vehicles, decor items, signs, games, vending machines, or other items not previously approved as meeting Franchisor's Standards and specifications. If any of the property described above is leased by Franchisee from a third party, such lease must be approved by Franchisor, in writing, prior to execution. Franchisor's approval will be conditioned upon such lease containing a provision which permits any interest of Franchisee in the lease to be assigned to Franchisor or its Affiliate upon the termination or expiration of this Agreement and which prohibits the lessor from imposing an assignment or related fee upon Franchisor or its Affiliate in connection with such assignment.

(6) To grant Franchisor and its agents the right to enter upon the Restaurant premises and any Restaurant catering or delivery motor vehicles at any time for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor will have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable by Franchisee immediately upon demand.

(7) To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe.

(8) To play in the Restaurant only such recorded music, videos, television programs, movies, sports events, and other broadcast entertainment as Franchisor may from time to time require in the Manuals or otherwise in writing and to obtain such copyright licenses as may be necessary to authorize the playing of such recorded music. If Franchisor obtains the required licenses on behalf of some or all of its franchisees as a group by request of Franchisee or due to Franchisee's failure to obtain the required licenses, Franchisee will reimburse Franchisor a pro rata share of the aggregate license fees and costs that Franchisor pays or incurs to obtain the copyright licenses. Reimbursement will be due upon Franchisor's submission to Franchisee of an invoice for Franchisee's share of the license fees and related costs. Franchisee acknowledges that Franchisor has no obligation to obtain the copyright licensees on behalf of its franchisees and that Franchisor may discontinue the practice at any time.

(9) To install and maintain such equipment, make such arrangements, and follow such procedures as Franchisor may require in the Manuals or otherwise in writing (including, without limitation, the establishment and maintenance of an Internet access account and the daily transfer of data via a closed communications network or "intranet"), to permit Franchisor to access and retrieve electronically (which may include providing Franchisor passwords and other login information), by telecommunication, or other designated method, any information stored in Franchisee's electronic cash registers or computer systems,

including, without limitation, information concerning the Gross Sales of the Restaurant. Franchisee further agrees that Franchisor will have and be afforded access to such information at the times and in the manner that Franchisor may specify from time to time. It will be a material event of default under this Agreement if Franchisee fails to make such information accessible to Franchisor at all times throughout the Term of this Agreement, and Franchisor may, in its discretion and without limitation of any other rights provided for in this Agreement, assess a reasonable monetary charge for such failure.

(10) To properly maintain all landscaping and lighting in accordance with Franchisor's Standards as set forth in the Manuals or otherwise in writing

(11) To adhere to Franchisor's Standards regarding recruiting, staffing, training, service, kitchen and shift staffing requirements, wait person station size, kitchen food quality, and plate presentation, temperature, and preparation time guidelines.

(12) To maintain the days and hours of operation specified by Franchisor in the Manuals or otherwise in writing and not to deviate therefrom without Franchisor's prior written consent.

(13) To comply with Franchisor's dress and grooming requirements, including a requirement that all of Franchisee's employees wear uniforms that have been approved by Franchisor.

F. Computer Systems. Franchisee will install and maintain the computer hardware and software (including, without limitation, point of sale software) and video monitoring system Franchisor requires for the operation of the Restaurant and will follow the procedures related thereto that Franchisor specifies in the Manuals or otherwise in writing. Among other things, Franchisor may require that Franchisee install and maintain systems that permit Franchisor to access and retrieve electronically any information stored in Franchisee's computer systems, including, without limitation, information concerning Gross Sales, at the times and in the manner that Franchisor may specify from time to time. Franchisee will enter into a software license agreement substantially in the form attached as Exhibit E for software Franchisor develops or acquires for use in the System and will pay all associated license, maintenance, and support fees. All information contained in and collected by any required computer program will be the sole and exclusive property of Franchisor. Franchisee acknowledges and agrees that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and the System. Accordingly, Franchisee agrees that it will cause its Restaurant to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards ("PCI DSS") council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act ("FACTA") and all other successor or additional laws, and all other data security requirements we prescribe. Franchisee is solely responsible for educating itself as to these regulations and standards and for achieving and maintaining applicable compliance certifications. Franchisee will defend, indemnify, and hold Franchisor harmless from and against all claims arising out of or relating to Franchisee's violation of this Section 7.F.

G. Proprietary Items. Franchisee acknowledges and agrees that Franchisor may develop or acquire for use in the System certain products which are prepared from highly confidential secret recipes and which are trade secrets of Franchisor and/or its Affiliates. Because of the importance of quality and uniformity of production and the significance of such products in the System, it is to the mutual benefit of the parties that Franchisor closely control the production and distribution of such products. Accordingly, Franchisee agrees that if such products become a part of the System, Franchisee will use only Franchisor's secret recipe products and will purchase, at a reasonable cost, solely from Franchisor or from a source designated by Franchisor all of Franchisee's requirements for such products. Franchisee agrees to purchase merchandise identifying the System (such as pre-packaged food products and Bubba's 33 memorabilia bearing the Marks) only from Franchisor, or any supplier designated or approved by Franchisor. Franchisee further agrees to purchase all items identifying the System as Franchisor requires, for resale, in amounts sufficient to satisfy Franchisee's customer demand.

H. Pricing. Franchisor reserves the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices that Franchisee may charge for products or services.

I. Complaints; Claims; Safety, Health, and Other Violations. Franchisee will process and handle all consumer complaints connected with or relating to the Restaurant and will, within 24 hours of the occurrence of any of the following, notify Franchisor by telephone and in writing of all of the following complaints and will cooperate fully with Franchisor and with the appropriate authorities with respect to investigation of such occurrences: **(i)** food related illnesses, **(ii)** safety or health violations, **(iii)** claims exceeding $1,000, and **(iv)** any other material claims against or losses suffered by Franchisee. Failure to notify Franchisor within the required time period is a material breach of this Agreement and may result in a fine or termination. Franchisee will maintain for Franchisor's inspection any inspection reports affecting the Restaurant or equipment located in the Restaurant during the Term of this Agreement and for 30 days after the expiration or earlier termination hereof.

J. Vehicles. Any vehicle used by Franchisee in the operation of the Restaurant must meet Franchisor's Standards with respect to appearance and ability to satisfy the requirements imposed on Franchisee hereunder. Franchisee will place such signs and decor items on the vehicle as Franchisor requires and will at all times keep such vehicle clean and in good working order. Franchisee will not engage or utilize any individual in the operation of a motor vehicle in connection with providing services hereunder who is under the age of 18 years or who does not possess a valid driver's license and insurance under the laws of the state in which Franchisee provides such services. Franchisee will require each such individual to comply with all laws, regulations, and rules of the road and to use due care and caution in the operation and maintenance of motor vehicles. Except as noted above, Franchisor does not set forth any standards or exercise control over any motor vehicle utilized by Franchisee.

K. Gift Cards and Customer Loyalty Programs. Franchisee will participate in, at Franchisee's expense, and comply with the requirements of any gift card, gift certificate, customer loyalty, or retention program that Franchisor implements, whether for all or part of the franchise system, and will sign all forms and take all other actions Franchisor requires in order for Franchisee to participate in such programs. Without limitation, Franchisee will honor coupons, gift cards, gift certificates, or vouchers sold or distributed by other Bubba's 33 locations and include the related proceeds in Gross Sales and will utilize a Franchisor-approved vendor for gift card processing. Any coupon offer proposed by Franchisee must be approved by Franchisor pursuant to Section 8.G. of this Agreement prior to being extended.

L. Liquidated Damages for Operational Violations. Franchisee acknowledges the importance of operating the Restaurant in accordance with the System, as modified from time to time. Franchisee further acknowledges that deviations from the requirements of the System, as specified in the Manuals, will damage Franchisor, the System, and Franchisor's goodwill, which damage is difficult to quantify. Accordingly, the parties agree that in the event of deviations from the requirements of the Manuals, Franchisee will, upon written notice from Franchisor, pay to Franchisor as liquidated and agreed upon damages for each violation in a calendar year, $1,000. Liquidated damages under this Section 7. L. must be paid to Franchisor within five days of receipt of notice from Franchisor. The imposition of liquidated damages pursuant to this Section 7. L. will be at Franchisor's option. Franchisor is not required to impose liquidated damages under this Section 7. L. and may, in addition to or in lieu thereof, pursue other remedies, including termination of this Agreement pursuant to Section 17. Payment to Franchisor of any amount provided for in this Section will not constitute an election of remedies by Franchisor or an excuse for performance of Franchisee's obligations hereunder. If Franchisor imposes liquidated damages under this Section 7.L. for any violation, Franchisor may thereafter terminate this Agreement pursuant to Section 17. for a subsequent violation.

M. Data Security. Franchisee will cause the Restaurant to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Data Security Standards ("**PCI DSS**") council, or its successor, and other regulations and industry standards applicable to the protection of customer privacy and credit card information, including but not limited to the Fair and Accurate Credit Transaction Act ("**FACTA**") and all other successor or additional laws, and all other data security requirements Franchisor prescribes. Franchisee is solely responsible for educating itself as to these regulations and standards and for achieving and maintaining applicable compliance certifications. Franchisee will defend, indemnify, and hold Franchisor harmless from and against all claims arising out of or relating to Franchisee's violation of this Section 7.M.

8. MARKETING AND RELATED FEES

Recognizing the value of marketing and the importance of the standardization of marketing programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

A. Participation in Marketing and Promotional Programs. Franchisor may, from time to time, develop and administer marketing and sales promotion programs designed to promote all restaurants operating under the System. Franchisee will participate in all such marketing and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement, and choice of media, market areas, and marketing agencies, the Standards and specifications established by Franchisor will be final and binding upon Franchisee.

B. Local Marketing. In addition to the ongoing marketing contributions set forth herein and subject to any allocation of Franchisee's expenditures for local marketing to the Fund, as described in Section 8.C., or to the Cooperative, as described in Section 8.D., Franchisee must spend, during each month throughout the Term of this Agreement, 2% of the Gross Sales on marketing for the Restaurant in Franchisee's Area of Primary Responsibility ("**Local Marketing**"). Franchisee must submit to Franchisor a marketing expenditure report accurately reflecting such expenditures at the same time as the report itemizing Gross Sales described in Section 4.B(2). In addition to the restrictions set forth below, costs and expenditures incurred by Franchisee in connection with any of the following will not be included in Franchisee's expenditures on Local Marketing for purposes of this Section, unless approved by Franchisor in writing:

(1) The cost of honoring any coupons;

(2) Research expenditures;

(3) Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at marketing meetings or activities;

(4) Charitable, political, or other contributions or donations;

(5) In-Restaurant materials consisting of fixtures or equipment;

(6) Seminar and educational costs and expenses of employees of Franchisee;

(7) Specialty items such as T-shirts, premiums, pins, and awards, unless such items are part of a market-wide marketing program and then only to the extent that the cost of such items is not recovered by the promotion.

C. Marketing Fund. Franchisor has established a marketing fund for the purpose of marketing the System on a local, regional, or national basis ("**Fund**" or "**Marketing Fund**"). Franchisee agrees to contribute the percentage of Gross Sales each month to the Fund, the amount of which will be reasonably determined and consistently applied by Franchisor, and such contribution to be paid in the manner set forth in Section 4.B. During the Term of this Agreement, Franchisor may, in its sole discretion, review and modify the amount of the continuing marketing contribution up to 2.5% of Gross Sales for each month, and Franchisee agrees to contribute any such additional amount to the Fund. In reviewing and modifying the marketing contribution, Franchisor will consider the level of marketing expenditures by Bubba's 33 Restaurants operated by Franchisor or its Affiliates and by competitors of the System, media costs, available marketing resources, population changes, changes in market conditions, the degree of market penetration of the System, and such other factors as Franchisor deems relevant to the operation of the Fund. Franchisee will be provided with 30 days prior written notice of any such change in the marketing contribution. Franchisor may also require Franchisee to allocate to the Fund all or any portion of Franchisee's required expenditures for Local Marketing or contributions to a Cooperative as described in Section 8.D.

Notwithstanding the above, Franchisee's payment of its Fund contribution will be applied toward Franchisee's Local Marketing or Cooperative requirement. Franchisee agrees that the Fund will be maintained and administered by Franchisor or its designee as follows:

(1) Franchisor will direct all marketing programs and will have sole discretion to approve or disapprove the creative concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Fund is intended to maximize general public recognition and acceptance of the Marks and promote all restaurants operating under the System. Franchisor will, with respect to Bubba's 33 Restaurants operated by Franchisor or any Affiliate, contribute to the Fund generally on the same basis as Franchisee. In administering the Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular Franchisee benefits directly or pro rata from the placement of marketing.

(2) Franchisee agrees that the Fund may be used to satisfy any and all costs of maintaining, administering, directing, and preparing marketing including, without limitation, the cost of preparing and conducting television, radio, magazine, and newspaper marketing campaigns; direct mail and outdoor billboard marketing; public relations activities; engaging advertising and marketing agencies and advisors; developing and maintaining an Internet website, social media programs and search engine optimization; preparing and conducting customer surveys, interviews, and other programs designed to maintain customer service standards; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares. All sums paid by Franchisee to the Fund will be maintained in a separate account by Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the Fund and marketing programs for Franchisees and the System. The Fund and its earnings will not otherwise inure to the benefit of Franchisor. The Fund is operated solely as a conduit for collecting and expending the marketing fees as outlined above.

(3) Franchisor may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Restaurants to the Fund in that year, and the Fund may borrow from Franchisor or others at reasonable rates of interest to cover deficits or invest any surplus for future use. An unaudited statement of the operations of the Fund will be prepared annually by Franchisor and will be made available to Franchisee upon request.

(4) Franchisor reserves the right, upon 30 days prior written notice to Franchisee, to defer, increase (subject to the maximum level permitted herein), reduce, or suspend contributions to (and, if suspended, deferred, or reduced, to reinstate such contributions), and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund without interest in proportion to their respective contributions to the Fund during the preceding 12-month period.

D. Marketing Cooperatives. Franchisee agrees that Franchisor has the right, in its sole discretion, to designate any geographic area in which two or more Bubba's 33 Restaurants are located as a region for purposes of establishing a marketing cooperative ("**Cooperative**"). The members of the Cooperative for any area will, at a minimum, consist of all full-service Bubba's 33 Restaurants. Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, determined in advance by Franchisor in its sole discretion. Each Cooperative will be organized for the exclusive purposes of administering marketing programs and developing, subject to Franchisor's approval pursuant to Section 8.G., promotional materials for use by the members in Local Marketing. If at the time of the execution of this Agreement a Cooperative has been established for a geographic area that encompasses the Restaurant, or if any such Cooperative is established during the Term of this Agreement, Franchisee will execute such documents as are required by Franchisor immediately upon the request of Franchisor and will become a member of the Cooperative pursuant to the terms of those documents. Franchisee will participate in the Cooperative as follows:

(1) Subject to any allocation of Franchisee's Cooperative contribution to the Fund as described in Section 8.C., Franchisee will contribute to the Cooperative the amounts required by the documents governing the Cooperative; provided that Franchisee will not be required to contribute more than 2% of Gross Sales during each month to the Cooperative unless, subject to Franchisor's approval, the members of the Cooperative agree to the payment of a larger fee. Notwithstanding the above, the payment of any Franchisor-required Cooperative contribution will be applied toward satisfaction of Franchisee's Local Marketing requirement set forth in Section 8.B.;

(2) Franchisee will submit to the Cooperative and to Franchisor such statements and reports as may be required by Franchisor or by the Cooperative. All contributions to the Cooperative will be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above; and

(3) No marketing or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 8.G.

E. Marketing Fee. In addition to the marketing expenditures and contributions set forth above, Franchisee agrees to pay to Franchisor each month during the Term of this Agreement an additional 0.5% of Gross Sales as a marketing fee for market research and for promotional and marketing materials provided by Franchisor to Franchisee, such fee to be paid in the manner set forth in Section 4.B.

F. Maximum Required Marketing. Franchisee's total required marketing contributions or payments under this Section 8. (Fund, Cooperative, Local Marketing, and Marketing Fee) will not exceed 3% of Gross Sales.

G. Marketing Approval. All marketing materials and promotion by Franchisee (including Internet marketing, Web pages, and social media, if permitted) in any medium must be conducted in a dignified manner and must conform to the Standards and requirements of Franchisor as set forth in the Manuals or otherwise. Franchisee must obtain Franchisor's approval of all marketing materials, promotional plans and materials, and coupon offers prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the 12 months prior to their proposed use. Franchisee will submit such unapproved plans and materials to Franchisor, and Franchisor will approve or disapprove such plans and materials within 14 days of Franchisor's receipt thereof. Franchisor's failure to respond within the 14-day period will be deemed to be Franchisor's disapproval of such plans or materials. Franchisee must not use such unapproved plans or materials and must promptly discontinue use of any marketing or promotional plans or materials, whether or not previously approved, upon notice from Franchisor.

H. Internet Restrictions.

(1) Franchisee must establish and maintain Internet access in accordance with System Standards and must use the email address assigned to it by Franchisor for all business communications. Franchisee must provide Franchisor all passwords required to access Franchisee's email account, and Franchisor must have the unrestricted right to access such account at any time. Franchisee must not advertise, promote, post, or list information relating to the Restaurant on the Internet (including, but not limited to, Facebook, Pinterest, Twitter, LinkedIn, or any blog or other social media sites), through the creation or use of a Website or otherwise, except in accordance with Section 8.G.

(2) Franchisee must not use the Marks or any abbreviation or other name associated with the System as part of any email address, domain name, or other identification of Franchisee in any electronic medium, without Franchisor's express prior written consent. Without limitation of the foregoing, Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any trade name, trademark, or service mark owned by Franchisor or its Affiliates or any abbreviation, acronym, phonetic variation, or visual variation of those words. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by email or other electronic

media without first obtaining Franchisor's written consent. Franchisee will be solely responsible for compliance with any laws pertaining to email communications, including, without limitation, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act of 2003).

(3) Franchisee agrees not to link any URL related to Franchisor or its Affiliates to any other site without the express prior written consent of Franchisor, which may be granted or withheld in Franchisor's sole discretion.

(4) Franchisor has established a Website that provides information about Bubba's 33 Restaurants. Franchisor has sole discretion and control over such Website, including timing, design, contents, and continuation. Franchisor may use part of the Marketing Fund contributions it collects under this Agreement to pay or reimburse the costs associated with the development, maintenance, and update of such Website. Franchisor may (but is not required to) include an interior page at such Website containing information about the Restaurant ("**Franchisee's Webpage**") and in such event, Franchisor may require Franchisee to prepare all or a portion of Franchisee's Webpage, at Franchisee's expense, using a template that Franchisor provides. All information will be subject to Franchisor's approval prior to posting.

(5) Franchisor has the sole right (but no obligation) to develop an Intranet through which Franchisor and its franchisees can communicate by email or similar electronic means. If Franchisor develops such an Intranet, Franchisee agrees to use the facilities of the Intranet in strict compliance with the standards, protocols, and restrictions that Franchisor includes in the Manuals (including, without limitation, standards, protocols, and restrictions relating to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory, or defamatory statements).

9. MARKS

A. License to Use the Marks. Franchisor grants Franchisee the right to use the Marks during the Term of this Agreement in accordance with the System and related Standards and specifications.

B. Agreements Regarding the Marks. Franchisee expressly understands and acknowledges that:

(1) As between Franchisor and Franchisee, Franchisor is the owner of all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them.

(2) Neither Franchisee nor any Controlling Principal will take any action that would prejudice or interfere with the validity of Franchisor's or its Affiliate's rights with respect to the Marks. Nothing in this Agreement gives Franchisee any right, title, or interest in or to any of the Marks or any of Franchisor's or its Affiliate's service marks, trademarks, trade names, trade dress, logos, copyrights, or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Restaurant and only at or from its Approved Location or in approved marketing materials related to the Restaurant.

(3) Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System will inure solely and exclusively to Franchisor's or its Affiliate's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

(4) Neither Franchisee nor any Controlling Principal will contest the validity of Franchisor's or any Affiliate's interest in the Marks or assist others to contest the validity of Franchisor's or any Affiliate's interest in the Marks.

(5) Franchisee acknowledges that any unauthorized use of the Marks will constitute an infringement of Franchisor's or its Affiliate's rights in the Marks and a material event of default hereunder. Franchisee agrees that it will provide Franchisor with all assignments, affidavits, documents, information, and assistance Franchisor reasonably requests to fully vest in Franchisor or its Affiliate all

such rights, title, and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain, and enforce such rights in the Marks.

(6) Franchisor reserves the right to substitute different Marks for use in identifying the System and the Restaurant if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks.

C. Use of the Marks. With respect to Franchisee's licensed use of the Marks pursuant to this Agreement, Franchisee further agrees that:

(1) Unless otherwise authorized or required by Franchisor, Franchisee will operate and market the Restaurant only under the name "Bubba's 33" without prefix or suffix. FRANCHISEE MUST NOT USE THE MARKS OR ANY PART THEREOF AS PART OF ITS CORPORATE OR OTHER LEGAL NAME.

(2) During the Term of this Agreement and any renewal hereof, Franchisee must identify itself as the owner of the Restaurant and as a franchisee of Franchisor in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, and payroll checks and other employment-related records as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Restaurant or any Restaurant catering or delivery vehicle as Franchisor may designate in writing.

(3) Franchisee must not use the Marks to incur any obligation or indebtedness on behalf of Franchisor or its Affiliates.

(4) Franchisee will comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations and will execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

(5) All marketing and promotional materials (including Internet marketing, Web pages, and social media), billboards, signs, decorations, paper goods (including menus and all forms and stationery used in the franchised business), employee uniforms, apparel, memorabilia and mementos intended for retail sale, and other items which may be designated by Franchisor must bear the Marks in the form, color, location, and manner prescribed by Franchisor**.**

D. Infringement. Franchisee must notify Franchisor immediately of any apparent infringement of or challenge to Franchisee's use of any Mark or of any claim by any person of any rights in any Mark, and Franchisee and the Controlling Principals must not communicate with any person other than Franchisor or any designated Affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge, or claim. Franchisor or its Affiliates have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its Affiliates of any settlement, litigation, or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge, or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any Affiliate in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. The parties hereto acknowledge that Franchisor will have no obligation to protect Franchisee's rights to use the Marks or to protect Franchisee against claims of infringement or unfair competition.

E. Scope of License. The right and license of the Marks granted hereunder to Franchisee is nonexclusive, and Franchisor and its Affiliates have and retain the following rights, among others, subject only to the limitations of Section 1.:

(1) To grant other licenses for use of the Marks;

(2) To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to Franchisee; and

(3) To engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents, and others, at wholesale, retail, or otherwise, **(a)** in the production, distribution, license, and sale of products and services, and **(b)** the use in connection with such production, distribution, and sale of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs, and other identifying characteristics as may be developed or used from time to time by Franchisor.

10. CONFIDENTIALITY AND NONCOMPETITION COVENANTS

A. Manuals.

(1) To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee will conduct its business in accordance with the Manuals, other written directives which Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manuals, and any other manuals and materials created or approved for use in the operation of Bubba's 33 Restaurants, all of which will supplement this Agreement.

(2) The Manuals form a part of Franchisor's Confidential Information and the Controlling Principals must at all times treat the Manuals, and the information contained therein, as confidential and secret in accordance with this Section 10.A. and Section 10. B. below. Franchisee and the Controlling Principals must not, at any time, copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any unauthorized person.

(3) The Manuals and any other confidential communications provided or approved by Franchisor will at all times remain the sole property of Franchisor, must at all times be kept in a secure place, and must be returned to Franchisor immediately upon request or upon termination or expiration of this Agreement.

(4) Franchisor may from time to time revise the contents of the Manuals and the contents of any other manuals and materials created or approved for use in the operation of the Restaurant. FRANCHISEE EXPRESSLY AGREES TO COMPLY WITH EACH NEW OR CHANGED STANDARD.

(5) Franchisee will at all times ensure that the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor will control.

B. Confidentiality. Neither Franchisee nor any Principal will, during the Term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation and, following the expiration or termination of this Agreement, will not use for their own benefit, any Confidential Information, knowledge, or know-how concerning the methods of operation of Bubba's 33 Restaurants which may be communicated to them or of which they may be apprised in connection with the operation of the Restaurant under the terms of this Agreement. Franchisee and the Controlling Principals will divulge such Confidential Information only to such of Franchisee's employees as must have access to it in order to operate the Restaurant. Neither Franchisee nor the Controlling Principals will, at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant in this Section willl survive the expiration, termination, or transfer of this Agreement or any interest herein and will be perpetually binding.

C. Work Product. If Franchisee, its Principals, or its employees develop any new concept, process, recipe, menu item, improvement, invention, or work of authorship in the operation or promotion of the Restaurant, alone or jointly with others, and within or outside of the facilities of the Restaurant, before, during, or after normal business hours ("**Work Product**"), Franchisee will promptly notify Franchisor and provide Franchisor with all information related to the Work Product that Franchisor requires, without compensation. Franchisee and the Controlling Principals acknowledge that any such Work Product will inure to the benefit of and become the property of Franchisor, and Franchisor may use or disclose such Work Product to other Franchisees and to its Affiliates, successors, and assigns, as it determines to be appropriate. Franchisee and the Controlling Principals will execute, in favor of Franchisor, an assignment of (and Franchisee and the Controlling Principals do hereby assign) their entire right, title, and interest in and to the Work Product and agree to execute such other documents and instruments as Franchisor may request. Franchisee and the Controlling Principals further agree to cooperate to the extent and in the manner reasonably requested by Franchisor in the prosecution or defense of any litigation or other proceedings involving any Work Product, but all of their reasonable expenses in connection therewith will be paid by Franchisor. If a copyright registration or patent is filed by Franchisee, its Principals, or employees, or on their behalf, within one year following the earlier of the termination or expiration of this Agreement or the time at which such person ceases to be associated with Franchisee, describing a work which relates to the business of Franchisor, it will be conclusively presumed that such work is to be treated as a Work Product for all purposes hereunder.

D. Noncompetition Covenants.

(1) Franchisee and the Controlling Principals specifically acknowledge that, pursuant to this Agreement, Franchisee and the Controlling Principals will receive valuable training, trade secrets, and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System, which are beyond the present skills and experience of Franchisee and the Controlling Principals and Franchisee's Managers and employees. Franchisee and the Controlling Principals acknowledge that such specialized training, trade secrets, and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Restaurant and that gaining access to such specialized training, trade secrets, and Confidential Information is, therefore, a primary reason for entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information, and rights, Franchisee and the Controlling Principals covenant that with respect to Franchisee, during the Term of this Agreement (or with respect to each of the Controlling Principals, during the Term of this Agreement for so long as such individual or entity satisfies the definition of "Controlling Principals"), except as otherwise approved in writing by Franchisor, neither Franchisee nor any of the Controlling Principals will, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with any person(s), partnership, or corporation:

(a) Divert, or attempt to divert, any business or customer of the franchised business hereunder to any Competitive Business within the trade area of any current or proposed Bubba's 33 restaurant, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to any Competitive Business located within **(i)** the United States, **(ii)** United States territories or commonwealths, or **(iii)** any other country, province, state, or geographic area in which Franchisor has used, sought registration of, or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks.

(2) With respect to Franchisee, and for a continuous uninterrupted period commencing upon the expiration, termination, or transfer of all of Franchisee's interest in this Agreement (or, with respect to each of the Controlling Principals, commencing upon the earlier of: **(i)** the expiration, termination, or transfer of all of Franchisee's interest in this Agreement, or **(ii)** the time such individual or entity ceases to satisfy the definition of "Controlling Principals") and continuing for two years thereafter, except as otherwise approved in writing by Franchisor, neither Franchisee, nor any of the Controlling Principals will, directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, persons, partnership, or corporation:

(a) Divert, or attempt to divert, any business or customer of the franchised business hereunder to any Competitive Business within the same trade area of any current or proposed Bubba's 33 restaurant, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

(b) Employ, or seek to employ, any person who is at that time or was within the preceding 12 months employed by Franchisor or by any other Franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment, except as may be permitted under any existing development agreement or Franchise Agreement between Franchisor and Franchisee.

(c) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations, or joint ventures), advise, assist, or make loans to any Competitive Business that is, or is intended to be located **(i)** at the Approved Location, **(ii)** within the Assigned Area, or **(iii)** within a 10-mile radius of any Bubba's 33 restaurant or other Bubba's 33 facility in existence or under construction at any given time during such period.

(3) The parties acknowledge and agree that each of the covenants contained herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the covenants herein will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and the Controlling Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 10.D. The obligations described in this Section 10.D. will be tolled for any period of noncompliance.

(a) Franchisee and the Controlling Principals understand and acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 10.D., or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee and the Controlling Principals agree that they will comply with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of Section 19.B. hereof.

(b) Franchisee and the Controlling Principals expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

E. Injunctive Relief. Franchisee and the Controlling Principals acknowledge that any failure to comply with the requirements of this Section 10 will constitute a material event of default under Section 17 hereof. Franchisee and the Controlling Principals acknowledge that a violation of the terms of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee and the Controlling Principals accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee or the Controlling Principals in violation of the terms of this Section. Franchisee and the Controlling Principals agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of such Section.

F. Execution of Similar Covenants by Others. Unless otherwise agreed in writing by Franchisor, Franchisee will require and obtain execution of covenants similar to those set forth in this Section 10 from any Operating Principal who is not otherwise a Controlling Principal. In addition, at Franchisor's request, Franchisee will require and obtain execution of such covenants from its other Managers and any other personnel of Franchisee who have received or will have access to training or other Confidential Information. Such covenants will be substantially in the form set forth in Attachment D. All of Franchisee's Principals also must execute such covenants. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the noncompetition covenant set forth in Attachment D or eliminate such noncompetition covenant altogether for any party that is required to execute such agreement under this Section 10.F.

11. BOOKS AND RECORDS

A. Maintenance Requirement. Franchisee must maintain, during the Term of this Agreement, and must preserve for at least five years from the dates of their preparation, full, complete, and accurate books, records, and accounts, including, but not limited to, sales reports, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals, and ledgers. The foregoing must be maintained in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing (which requirements may include, in Franchisor's discretion, common fiscal year end and fiscal period designations) and in accordance with generally accepted accounting principles ("**GAAP**").

B. Reporting. In addition to the remittance reports required by Sections 4. and 8. hereof, Franchisee must comply with the following reporting obligations:

(1) During the Term of this Agreement, Franchisee will, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, Franchisor's monthly balance sheet and profit and loss statement for the previous month (which may be unaudited) on or before the 20th day of each month. Each such statement must be signed by Franchisee's treasurer or chief financial officer or comparable officer attesting that it is true, complete, and correct.

(2) During the Term of this Agreement, Franchisee will, at Franchisee's expense, submit to Franchisor, in the form prescribed by Franchisor, Franchisor's quarterly balance sheet and profit and loss statement for the previous quarter (which may be unaudited) on or before the 30th day of the month. Each such statement must be signed by Franchisee's treasurer or chief financial officer or comparable officer attesting that it is true, complete, and correct.

(3) Franchisee will, at its expense, provide to Franchisor a complete annual audited financial statement (including balance sheet, statement of operations, statement of cash flows, and statement of stockholders' equity) for Franchisee, prepared in accordance with GAAP and as prescribed by Franchisor from time to time in the Manuals or otherwise in writing, audited by an independent certified public accountant satisfactory to Franchisor, within 90 days after the end of each fiscal year of Franchisee during the Term of this Agreement, showing the results of operations of Franchisee during such fiscal year.

(4) Franchisee will also submit to Franchisor, for review or auditing, such other forms, reports, records, information, and data as Franchisor may reasonably designate, in the form and manner and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in writing.

(5) Franchisee acknowledges the importance of the financial and other reporting requirements set forth herein and that deviations from these requirements will damage Franchisor and the System. Franchisee further acknowledges that such damage is difficult to quantify. Accordingly, the parties agree that if any statement or other report referred to herein is more than 30 days past due, Franchisee will pay to Franchisor as liquidated and agreed upon damages for each such violation the sum of $200. Liquidated damages under this Section 11.B.(5) will be paid to Franchisor within five days following Franchisee's receipt of notice from Franchisor. The imposition of liquidated damages pursuant to this Section 11.B.(5) will be at Franchisor's option. Franchisor is not required to impose liquidated damages under this Section 11.B.(5) and may, in addition to or in lieu thereof, pursue other remedies to which Franchisor may be entitled under this Agreement or at law. Payment to Franchisor of any amount provided for in this Section will not constitute an election of remedies by Franchisor or an excuse for performance of Franchisee's obligations hereunder.

C. Audits. Franchisor or its designees will have the right at all reasonable times to review, audit, examine, and copy the books and records of Franchisee as Franchisor may require at the Restaurant. If any required royalty payments to Franchisor are delinquent, or if an inspection should reveal that such payments have been understated in any report to Franchisor, then Franchisee will immediately pay to Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.B.(3). If an inspection discloses an understatement in any report of 2% or more, Franchisee will, in addition, reimburse Franchisor for all costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies are in addition to any other remedies Franchisor may have at law or in equity.

D. No Waiver. Franchisee understands and agrees that the receipt or acceptance by Franchisor of any of the statements furnished or royalties paid to Franchisor (or the cashing of any royalty checks) will not preclude Franchisor from questioning the correctness thereof at any time and, in the event that any inconsistencies or mistakes are discovered in such statements or payments, Franchisee will immediately rectify such inconsistencies or mistakes and make appropriate payment to Franchisor.

E. Authorization to Release Information. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors, and other persons or entities with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Restaurant. Franchisee authorizes Franchisor to disclose data from Franchisee's reports, if Franchisor determines, in its sole discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing Franchisees or other third parties.

12. INSURANCE

A. Requirement to Obtain and Maintain Insurance. Franchisee will procure, upon execution of this Agreement, and will maintain in full force and effect at all times during the Term of this Agreement at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor and Texas Roadhouse Holdings LLC and their parent, Affiliates, successors and assigns, and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them against any demand or claim with respect to personal injury, death or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Restaurant.

B. Coverage Requirements. All insurance must be placed with an insurance company with an A.M. Best & Co., Inc. rating of "A-/ VI". All policies, except Worker's Compensation and EPL (defined below), must name Franchisor and Texas Roadhouse Holdings LLC and their parent, Affiliates, successors, and assigns, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them as additional insureds and must include a waiver of subrogation in favor of all parties. The policies shall provide the amount of coverage for each category of risk that is specified from time to time in the Manuals. Until otherwise specified in the Manuals, coverage against the risks and in the amounts stated in the following subsections:

(1) Liability Insurance:

(a) Commercial General Liability Insurance with a combined single limit of $1,000,000 for Bodily Injury and Property Damage Per Occurrence/$2,000,000 Aggregate. Standard coverages must include: Bodily Injury, Personal Injury (including Libel, Slander, Defamation of Character), Product Liability, Property Damage, Contractual Liability, Host Liquor Liability, Special Events, Advertiser's Liability, Mental Anguish, Non-owned and Hired Auto Liability (if not covered under commercial automobile policy), Incidental Malpractice, and Fire Damage Liability.

(b) Liquor Liability (Dram shop) Insurance with a combined single limit of $2,000,000 Per Occurrence/$1,000,000 Aggregate.

(c) Employee Benefits Liability at a minimum of $300,000 Per Occurrence/$300,000 Aggregate. Coverage must be written on claims made form with appropriate retroactive date.

(d) Stop Gap Liability if the Restaurant is located in any state where the state fund does not provide Workers' Compensation Part B.

(2) Property Insurance: Special Form policy of insurance, including flood and earthquake coverage upon the premises (if the premises are located in a flood plain or earthquake zone), operational equipment, signs, furnishings, décor, and supplies in an amount adequate to replace the property covered.

(3) Umbrella Liability Insurance: $10,000,000 over the basic Comprehensive General Liability Insurance, employee benefits liability if purchased and Liquor Liability, $10,000,000 for Products/Completed Operations Aggregate, and $10,000,000 for employers liability insurance. If Franchisee or any related entity or Affiliate of Franchisee operates more than three Restaurants, the General Aggregate coverage must be increased by $1,000,000 for each Restaurant in excess of three Restaurants. If Franchisee or any related entity or Affiliate of Franchisee operates more than nine Restaurants, the General Aggregate coverage must be increased to a minimum of $15,000,000.

(4) Automobile Liability, including Non-owned and Hired Auto Liability, with a combined single limit of $1,000,000 for Bodily Injury and Property Damage for any one accident.

(5) Employment Practices Liability ("**EPL**") Coverage: $1,000,000 per claim and aggregate for one to three common-owned Restaurants and $2,000,000 policy per claim and aggregate for four or more common-owned Restaurants. All EPL policies must include third-party coverage (i.e., third-party discrimination). As used herein, the term "common-owned" means all Restaurants owned by Franchisee and its Affiliates.

(6) Business Income (Interruption) Coverage in an amount sufficient to cover profit margins, royalty payments equal to the average monthly royalty payment during a comparable 6-month period preceding the event causing the interruption (or for any shorter period that the Restaurant has been open for business immediately preceding the event if a comparable 6 month history is not available), and maintenance of competent and desirable personnel and fixed expenses for a period of at least 180 days. Such business income coverage must be maintained at levels sufficient to reimburse Franchisee for all direct and indirect loss of income and charges and costs arising out of all named perils insured against by Franchisee's policies of property insurance, including, but not limited to, prevention of, or denial of use of, or access to, all or part of the premises.

(7) Worker's compensation insurance in amounts provided by or permitted under applicable law.

(8) Data or cyber insurance: single limit $1,000,000 for 100,000 notifications.

(9) Such other insurance as may be required by the state or locality in which the Restaurant is located.

C. Deductibles; Waiver of Subrogation. Franchisee may, with the prior written consent of Franchisor, elect to have reasonable deductibles in connection with the coverage required under Section 12.B. Such policies (including all Employment Practices Liability policies) must also include a waiver of subrogation in favor of Franchisor and Texas Roadhouse Holdings LLC, their parent, Affiliates, successors and assigns, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them.

D. Builder's Risks/Installation Insurance. In connection with any construction, renovation, refurbishment, or remodeling of the Restaurant, Franchisee will maintain Builder's Risks/Installation insurance in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

E. No Limitations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor will Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 15. of this Agreement.

F. Additional Insureds. All insurance policies required hereunder (including all Employment Practices Liability policies but with the exception of workers' compensation insurance), must name Franchisor and Texas Roadhouse Holdings LLC and their parent, Affiliates, successors and assigns, and the respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them as additional insureds and must expressly provide that their interest will not be affected by Franchisee's breach of any policy provisions. All public liability and property damage policies must contain a provision that Franchisor and Texas Roadhouse Holdings LLC and their parent, Affiliates, successors, and assigns, and the respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of each of them, although named as insureds, will nevertheless be entitled to recover under such policies on any loss occasioned to them by reason of the negligence of Franchisee or its servants, agents, or employees.

G. Certificates of Insurance. Upon execution of this Agreement, and thereafter as required by this Agreement, and 30 days prior to the expiration of any such policy, Franchisee will deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee will deliver to Franchisor a copy of the insurance policy or policies required hereunder. Further, all insurance policies required hereunder must expressly provide that no less than 30 days prior written notice will be given to Franchisor in the event of a material alteration to, or cancellation of, the policies.

H. Remedies. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in writing, Franchisor will have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, will be payable by Franchisee immediately upon notice. The foregoing remedies will be in addition to any other remedies Franchisor may have at law or in equity.

13. DEBTS AND TAXES

A. Payment of Taxes and Other Obligations. Franchisee will promptly pay when due all Taxes levied or assessed and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the franchised business under this Agreement. Without limiting the provisions of Section 15., Franchisee will be solely liable for the payment of all Taxes and will indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest, and expenses) arising from or concerning the payment of Taxes, whether Taxes were correctly or legally asserted or not.

B. No Deduction. Each payment to be made to Franchisor hereunder will be made free and clear and without deduction for any Taxes. If any amount to be paid or reimbursed under this Agreement to Franchisor is subject to any deductions or withholdings for any present or future Taxes imposed by any competent governmental authority, then Franchisee must pay or reimburse an additional amount to Franchisor as is necessary so that the net amount actually received by Franchisor after such deduction, payment, or withholding will equal the full amount stated to be payable or reimbursable under this Agreement.

C. Credit Standing. Franchisee recognizes that the failure to make payments or repeated delays in making prompt payments to suppliers will result in a loss of credit rating or standing which will be detrimental to the goodwill associated with the Marks and the System. Franchisee agrees to promptly pay when due all amounts owed by Franchisee to Franchisor, its Affiliates, all suppliers, all lenders providing financing to Franchisee under an arrangement with Franchisor (if any), and all governmental authorities. In the event of any bona fide dispute as to Franchisee's liability for Taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law; provided, however, that Franchisee must pay all uncontested amounts when due and, if the dispute as to the contested amount is not resolved within 30 days of the date upon which the indebtedness or payment became due, Franchisee will pay all remaining amounts in full and submit the matter for resolution pursuant to the dispute resolution provisions of this Agreement. However, in no event will Franchisee permit a Tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the franchised business or any improvements thereon.

D. Legal Compliance. Franchisee will comply with all federal, state, and local laws, rules, and regulations and will timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the franchised business, including, without limitation, licenses to do business, fictitious name registrations, liquor licenses, sales tax permits, fire clearances, health permits, certificates of occupancy, and any permits, certificates, or licenses required by any environmental, disability, or handicap law, rule, or regulation.

E. Notice of Adverse Orders. Franchisee will notify Franchisor in writing within five days of the commencement of any action, suit, or proceeding and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business and within 24 hours after Franchisee receives notice of the filing of any Tax or other lien.

14. TRANSFER OF INTEREST

A. By Franchisor. Franchisor has the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity. Specifically, and without limitation to the foregoing, Franchisee agrees that Franchisor may sell Franchisor's assets, the Marks, or the System to a third party; may offer Franchisor's securities privately or publicly; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; and with regard to any or all of the above sales, assignments, and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transfer of the Marks (or any variation thereof) or the System from Franchisor to any other party. Nothing contained in this Agreement requires Franchisor to offer any services or products, whether or not bearing the Marks, to Franchisee, if Franchisor assigns Franchisor's rights in this Agreement.

B. By Franchisee and the Controlling Principals.

(1) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity, and personal character of Franchisee and the Controlling Principals. Accordingly, neither Franchisee nor any Controlling Principal, nor any successor or assign of Franchisee or of any Controlling Principal, will sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement, in the Restaurant, or in Franchisee (including, without limitation, any new issuance of stock or other ownership interest in Franchisee) without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement will be null and void and will constitute a material event of default under this Agreement.

(2) If Franchisee wishes to transfer all or part of its interest in the Restaurant or this Agreement or if Franchisee or a Controlling Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee must apply to Franchisor for its consent. Franchisor will not unreasonably withhold its consent to a transfer of any interest in Franchisee, in the Restaurant, or in this Agreement. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

(a) All of the accrued monetary obligations of Franchisee and its Affiliates and all other outstanding obligations to Franchisor and its Affiliates arising under this Agreement or any other agreement must have been satisfied in a timely manner and Franchisee must have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(b) Franchisee and its Affiliates must not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates, and Franchisee must have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof;

(c) The transferor and its Principals (if applicable) must have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its parent, Affiliates, successors, and assigns, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and federal, state, and local laws, rules, and regulations;

(d) The transferee must demonstrate to Franchisor's satisfaction that transferee meets the criteria considered by Franchisor when reviewing a prospective Franchisee's application for a license, including, but not limited to, Franchisor's educational, managerial, and business standards; transferee's good moral character, business reputation, and credit rating; transferee's aptitude and ability to conduct the business licensed herein (as may be evidenced by prior related business experience or otherwise); transferee's financial resources and capital for operation of the business; the geographic proximity of other Bubba's 33 Restaurants owned or operated by transferee, if applicable; and no transferee may own, operate, be employed by, or be associated with, any Competitive Business;

(e) The transferee must enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants, and agreements contained in this Agreement; and, if transferee is a corporation or a partnership, transferee's shareholders, partners, or other investors, as applicable, will execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants, and agreements;

(f) The transferee must execute, for a term ending on the expiration date of this Agreement and with such renewal terms as may be provided by this Agreement, the standard form Franchise Agreement then being offered to new System Franchisees and other ancillary agreements as Franchisor may require for the Restaurant, which agreements will supersede this Agreement and its ancillary documents in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee and a higher marketing contribution or expenditure requirement; provided that the transferee will not be obligated to pay to Franchisor an initial franchise fee; and, if transferee is a corporation or a partnership, transferee's shareholders, partners, or other investors, as applicable, must execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants, and agreements;

(g) The transferee, at its expense, must renovate, modernize, and otherwise upgrade the Restaurant and, if applicable, any Restaurant catering or delivery vehicles to conform to the then-current Standards and specifications of the System and must complete the upgrading and other requirements within the time period reasonably specified by Franchisor;

(h) The transferor will remain liable for all of the obligations to Franchisor in connection with the Restaurant incurred prior to the effective date of the transfer and must execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(i) At the transferee's expense, the transferee, the transferee's Operating Principal, additional managers, and/or any other applicable Restaurant personnel must complete any training programs then in effect for Franchisees of Bubba's 33 Restaurants upon such terms and conditions as Franchisor may reasonably require;

(j) Franchisee will pay a transfer fee of $3,500 to Franchisor, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees;

(k) If the transferee is a corporation or a partnership, the transferee will make and will be bound by any or all of the representations, warranties, and covenants set forth at Section 6. as Franchisor requests. Transferee will provide to Franchisor evidence satisfactory to Franchisor that the terms of such Section have been satisfied and are true and correct on the date of transfer; and

(l) Transferor must demonstrate to Franchisor's satisfaction that the purchase price and terms of sale do not negatively affect the continuing viability of the business post-sale**.**

(3) Franchisee will not grant a security interest in the Restaurant or in any of Franchisee's assets without Franchisor's prior written consent, which will not be unreasonably withheld. As a condition to its consent (if given), Franchisor may require the execution of inter-creditor agreements satisfactory to Franchisor and the agreement of the secured party that, in the event of any default, Franchisor will have the right and option (but no obligation) to be substituted as obligor to the secured party and to cure Franchisee's default**.**

(4) Franchisee acknowledges and agrees that each condition which must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

C. Transfer for Convenience of Ownership. In the event the proposed transfer is to a corporation formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements set forth at Section 14.B.(2), except that the requirements set forth at Sections 14.B.(2)(c), (d), (f), (g), (i), and (j) will not apply. With respect to a transfer to a corporation formed for the convenience of ownership, Franchisee must be the owner of all of the voting stock or interest of the corporation, and if Franchisee is more than one individual, each individual will have the same proportionate ownership interest in the corporation as he had in Franchisee prior to the transfer.

D. Right of First Refusal.

(1) If Franchisee wishes to transfer all or part of its interest in the Restaurant or this Agreement, or if Franchisee or any Principal (whether a Controlling Principal covered by Section 14.B. or a non-Controlling Principal covered by Section 14.H.) wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer received from a third party to purchase such interest, then such proposed seller must notify Franchisor in writing of each such offer within five days of its receipt of such offer and must provide such information and documentation relating to the offer as Franchisor may require. Franchisor will have the right and option, exercisable within the later of 45 days after receipt of such written notification or 30 days following receipt of any additional information requested by Franchisor, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. In the event that Franchisor elects to purchase the seller's interest, closing on such purchase must occur within 90 days from the date of notice to the seller of the election to purchase by Franchisor, or such other date as the parties agree upon in writing. Any material change in the terms of any offer prior to closing will constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 14.D. will not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 14, with respect to a proposed transfer.

(2) In the event an offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount will be determined by two appraisers, with each party selecting one appraiser, and the average of their determinations will be binding. In the event of such appraisal, each party will bear its own legal and other costs and will split the appraisal fees. In the event that Franchisor exercises its right of first refusal herein provided, it will have the right to

set off against any payment therefor **(i)** all fees for any such independent appraiser due from Franchisee hereunder and **(ii)** all amounts due from Franchisee to Franchisor or any of its Affiliates.

(3) Failure to comply with the provisions of this Section prior to the transfer of any interest in Franchisee, the Restaurant, or this Agreement will constitute a material event of default under this Agreement.

E. Death or Permanent Disability.

(1) Upon the death of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person and who has an interest in this Agreement, the Restaurant, or Franchisee ("**Deceased**"), the executor, administrator, or other personal representative of the Deceased must transfer such interest to a third party approved by Franchisor within 12 months after the death of the Deceased. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee must transfer such interest to a third party approved by Franchisor within 12 months after the death of the Deceased.

(2) Upon the Permanent Disability of Franchisee (if Franchisee is a natural person) or any Controlling Principal who is a natural person and who has an interest in this Agreement, the Restaurant, or Franchisee, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14. within six months after notice to Franchisee. "**Permanent Disability**" means any physical, emotional, or mental injury, illness, or incapacity which would prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least 90 consecutive days and from which condition recovery within 90 days from the date of determination of disability is unlikely. Permanent Disability must be determined by a licensed practicing physician selected by Franchisor, upon examination of the person; or if the person refuses to submit to an examination, then such person automatically will be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14.E. The costs of any examination required by this Section will be paid by Franchisor.

(3) Upon the death or claim of Permanent Disability of Franchisee or any Controlling Principal, Franchisee, or a representative of Franchisee, must promptly notify Franchisor of such death or claim of Permanent Disability. At Franchisor's request, within a reasonable period of time not to exceed 30 days from the date of death or Permanent Disability, the executor, administrator, or other personal representative of the Deceased or disabled person must provide for interim management of the Restaurant until such time as a transfer has been effected in accordance with the provisions of this Section 14.E., such interim management to be conducted in accordance with the terms of this Agreement. Franchisor may (but is not obligated to) assume such interim management of the Restaurant, provided that **(i)** interim management of the Restaurant by Franchisor will not relieve Franchisee of its obligations under this Agreement; **(ii)** Franchisor will not be liable for any debts, losses, costs, or expenses incurred in the operation of the Restaurant during any such period of interim management; **(iii)** Franchisor will have the right to charge a reasonable fee for its management services; and **(iv)** Franchisee will, and hereby does, indemnify and hold Franchisor harmless against any and all judgments, fines, losses, liabilities, costs, amounts paid in settlement, and reasonable expenses (including, but not limited to attorneys' fees) incurred in connection with Franchisor's interim management of the Restaurant, except by reason of Franchisor's gross negligence or willful misconduct.

(4) Any transfer upon death or Permanent Disability will be subject to the same terms and conditions as described in this Section for any inter vivos transfer. If an interest is not transferred upon death or permanent disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

F. No Waiver. Franchisor's consent to a transfer of any interest described herein will not constitute a waiver of any claims which Franchisor may have against the transferring party, nor will it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

G. Securities Offerings. Securities, partnership, or other ownership interests in Franchisee may not be offered to the public under the Securities Act of 1933, as amended, nor may they be registered under the Securities Exchange Act of 1934, as amended, or any comparable federal, state, or foreign law, rule, or regulation. Such interests may be offered by private offering or otherwise only with the prior written consent of Franchisor, which consent will not be unreasonably withheld. All materials required for any such private offering by federal or state law must be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials to be used in any exempt offering must be submitted to Franchisor for such review prior to their use. No Franchisee offering will contain any form that is contrary to or inconsistent with any provision of the Franchise Agreement or imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials will be limited solely to the subject of the relationship between Franchisee and Franchisor and its Affiliates. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, its Controlling Principals, and the other participants in the offering must fully indemnify Franchisor, and its parent, Affiliates, successors, and assigns and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, in connection with the offering. For each proposed offering, Franchisee will pay to Franchisor a non-refundable fee of $3,500, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. Franchisee must give Franchisor written notice at least 30 days prior to the date of commencement of any offering or other transaction covered by this Section 14.G.

H. Transfers by Non-Controlling Principals. If any person holding an interest in Franchisee, this Agreement, or the Restaurant (other than Franchisee or a Controlling Principal, which parties will be subject to the provisions set forth above) transfers such interest, then Franchisee will promptly notify Franchisor of such proposed transfer in writing and will provide such information relative thereto as Franchisor may reasonably request prior to such transfer. No such transferee may own, operate, be employed by, or associated with, any Competitive Business or have been convicted of or entered a plea of nolo contendere to a felony, a crime involving moral turpitude, or any similar offense. Such transferee will be one of Franchisee's Principals and as such will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor, which form will be in substantially the same form attached hereto as Attachment D. Franchisor also reserves the right to designate the transferee as one of the Controlling Principals.

I. Franchisor's Option to Purchase Franchised Business.

(1) Anything in this Agreement to the contrary notwithstanding, at any time during the term of this Agreement, Franchisor shall have the right and option (but no obligation) either (i) to require that Franchisee transfer its assets, subject to its liabilities, to Texas Roadhouse, Inc. ("TXRH") or one of its subsidiaries solely in exchange for TXRH Class A common stock ("TXRH Shares"), or (ii) to require that all owners of equity interests in Franchisee ("Owners") convert their equity interests in Franchisee into TXRH Shares, in either case through an exchange, merger or other transaction specified by TXRH (in either case, a "Roll-Up"). Provided Franchisee is a corporation that is eligible to participate in a reorganization under Section 368 of the Internal Revenue Code ("Section 368") and Franchisee and the Owners cooperate with TXRH in complying with the requirements of Section 368, the Public Company will use its best efforts to ensure that the Roll-Up qualifies as a tax-free reorganization under Section 368. In any event, Franchisee shall be obligated to transfer its assets in exchange for TXRH Shares, and the Owners shall be obligated to convert their equity interests in Franchisee into TXRH Shares, on the basis set forth below. In that regard, Franchisee or the Owners, as appropriate, shall execute and deliver all agreements, including an Agreement and Plan of Reorganization or Exchange in substantially the same form as that attached thereto as "Exhibit "A", questionnaires, certificates, affidavits and other documents that TXRH requests to effect the transaction

in accordance with this Agreement and applicable securities and tax laws, and will otherwise cooperate fully with Franchisor and TXRH to effect the Roll-Up.

(2) Franchisor may assign the right to compel a Roll-Up to TXRH. Further, TXRH will be a third party beneficiary of this Section 14.I and may enforce the obligations of Franchisee and the Owners directly, in its own name. Following a Roll-Up, Franchisee shall comply with the post-termination obligations set forth in Section 18 of this Agreement, including the obligations of confidentiality and non-competition in Section 18.H.

(3) If Franchisor or TXRH initiates a Roll-Up, Franchisee or the Owners, as the case may be, will be required to accept so-called "lettered stock" that cannot be sold or transferred except in compliance with Rule 144 under the Securities Act or in a transaction that is otherwise exempt from registration under the Securities Act.

(4) Franchisee or the Owners, as applicable, shall be entitled to receive TXRH Shares equal to 60% of the number of shares that bears the same relationship to the total number of TXRH Shares that will be outstanding at the close of business at the end of the Measurement Period, as defined below, (excluding TXRH Shares issuable pursuant to this Section 14.I. and to other franchisees in similar transactions) as the Adjusted Pre-Tax Earnings (defined below) of Franchisee's Restaurant during the Measurement Period (defined below) bears to the Company Pro Forma Adjusted Pre-Tax Earnings (defined below) during the Measurement Period. The number of TXRH Shares to be issued to Franchisee or the Owners, as applicable, pursuant to this Section 14.I. shall be reduced by an amount determined by dividing (1) the sum of (a) any Excess Debt (defined below), and (b) if the Restaurant has not opened, Franchisor's good faith estimate of all future expenses that will be incurred to complete the development of the Restaurant through the Opening Date, by (2) the Fair Market Value (defined below) of TXRH Shares. Additionally, Franchisee or Owners shall receive an amount of additional shares equal to (a) the positive balance of the Franchisee's Working Capital on the date of the Roll-Up, divided by (b) the Fair Market Value of TXRH Shares. If the Franchisee's Working Capital on the date of the Roll-Up is negative, the amount of shares to be issued to Franchisee or Owners shall be reduced by an amount of shares equal to (a) the negative balance of Franchisee's Working Capital on the date of the Roll-Up, divided by (b) the Fair Market Value of TXRH Shares. Franchisor or TXRH shall have the right to retain in escrow a reasonable percentage of TXRH Shares to be received by Owners or Franchisee for a reasonable period of time after the Roll-Up to ensure that Working Capital balances are properly calculated before the final addition or deduction of shares is determined.

(5) As used in this Section 14.I.:

(a) "Adjusted Pre-Tax Earnings" means an amount calculated according to GAAP and in the manner prescribed by Franchisor in the Operations Manual, equal to the Restaurant's store level pre-tax earnings, after deductions for franchise fees, royalties, and accrued but unpaid rent, as adjusted by adding back any deductions for management fees, accounting fees, bonuses paid to the Restaurant's Market Partner and other general and administrative expenses, restaurant pre-opening expenses, interest on Excess Debt (defined below); and by subtracting the amount, if any, that the total compensation paid to the Restaurant's Managing Partner is less than the sum of (i) $45,000 plus (ii) 10% of the Restaurant's store level pre-tax earnings, and the amount by which current annualized interest payments on Franchisee's Debt exceeds the actual interest payments on Franchisee's Debt during the Measurement Period.

(b) "Company Pro Forma Adjusted Pre-Tax Earnings" means the pre-tax income of the Public Company, increased by adding general and administrative expenses, Market Partner bonuses, nonrecurring items and restaurant pre-opening expenses.

(c) "Personal Property" means furniture, fixtures, equipment and signage used in the Restaurant and owned by Franchisee.

(d) "Excess Debt" means the amount, if any, by which (i) all debt secured by the Restaurant's land, building, improvements and Personal Property ("Franchisee's Debt") exceeds (ii) the sum of 85% of the fair market value of the Restaurant's land, building and improvements secured by debt.

(e) "Fair Market Value" means the five-day average closing price per share of TXRH Shares immediately prior to the Roll-Up.

(f) "Measurement Period" means the four full calendar quarters prior to the delivery of the Roll-Up Notice (defined below). However, if Franchisee's Restaurant has been open for at least five full fiscal months, but less than 14 full fiscal months, the Restaurant's Adjusted Pre-Tax Earnings shall be calculated on an annualized basis, based upon the number of full fiscal months the Restaurant has been open (excluding its first two full fiscal months of operation). Further, if the Restaurant has not opened or has been open for less than five full fiscal months, the its Adjusted Pre-Tax Earnings shall be deemed to be the simple average adjusted pre-tax earnings (calculated in the same manner as Adjusted Pre-Tax Earnings) of all Texas Roadhouse Restaurants owned in whole or in part by the Public Company that have been open for at least four full calendar quarters prior to the delivery of the Roll-Up Notice.

(g) "Working Capital" means current assets less current liabilities.

(6) Franchisor or TXRH shall exercise its right under this Section 14.I by delivering a written notice thereof (the "Roll-Up Notice") to Franchisee at least twenty (20) days prior to consummation of the Roll-Up.

(7) The following calculation demonstrates the application of the formula expressed in Section 14.I(4):

(a) Assumptions:

(1) Company Pro Forma Adjusted Pre-Tax Earnings - $225,000,000

(2) Adjusted Pre-Tax Earnings of Franchisee's Restaurant - $500,000

(3) Total TXRH Shares to be outstanding at the close of business on the last day of the Measurement Period (excluding Roll-Up shares) - 70,000,000

(4) Franchisee's Debt - $900,000

(5) Fair market value of Franchisee's Restaurant's land, building and improvements - $1,000,000

(6) Franchisee's Working Capital balance/(deficit) – ($100,000)

(7) Fair Market Value of TXRH Shares - $25.00

(b) Calculation:

(1) Relationship of Adjusted Pre-Tax Earnings of Franchisee's Restaurant to the Company Pro Forma Adjusted Pre-Tax Earnings of TXRH during the Measurement Period: $500,000 ÷ $225,000,000 = 0.22%

(2) Excess Debt: $900,000 - ($1,000,000 x 85%) = $50,000

(3) Working capital balance/(deficit): ($100,000)

(4) Reduction in Roll-Up Shares: ($50,000 + $100,000) ÷ $25.00 = 6,000 shares

(5) Number of TXRH Shares to be received by Franchisee or Owners, as applicable: (70,000,000 x 0.22% x 60%) - 6,000 = 86,400 shares

(8) At all times prior to the Roll-Up, Franchisee shall annually, within ninety (90) days following the end of each fiscal year, provide Franchisor with annual audited financial statements prepared in accordance with GAAP, as required by Section 11.B.(3) of this Agreement.

(9) Franchisee and the Owners shall not enter into any arrangement with any third party that would require such third party's approval of the transactions set forth herein or which may otherwise prevent or inhibit the ability of Franchisee or the Owners to perform under this Section 14.I.

15. INDEMNIFICATION

A. Indemnity. Franchisee and each of the Controlling Principals will, at all times, indemnify, defend, and hold harmless to the fullest extent permitted by law Franchisor, its parent, Affiliates, successors, and assigns and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them ("**Indemnitees**"), from all "losses and expenses" (as defined in Section 15.D.(2) below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of the Controlling Principals of any patent, mark, or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights, or other proprietary information granted hereunder pursuant to Section 10.);

(2) The violation, breach, or asserted violation or breach by Franchisee or any of the Controlling Principals of any federal, state, or local law, regulation, ruling, standard, or directive or any industry standard;

(3) Libel, slander, or any other form of defamation of Franchisor, the System, or any developer or franchisee operating under the System, by Franchisee or by any of the Controlling Principals;

(4) The violation or breach by Franchisee or by any of the Controlling Principals of any warranty, representation, agreement, or obligation in this Agreement or in any other agreement between Franchisee or any of its Affiliates and Franchisor, its parent, or any of its Affiliates, successors, or assigns or their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of any of them; and

(5) Acts, errors, or omissions (whether intentional, negligent, or otherwise) of Franchisee, any of Franchisee's Affiliates, and any of the Controlling Principals and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of Franchisee and its Affiliates in connection with the employment relationship between Franchisee and Franchisee's employees and the establishment and operation of the Restaurant, including, but not limited to, any acts, errors, or omissions (whether intentional, negligent, or otherwise) of any of the foregoing in the operation of any motor vehicle. The parties understand and agree that Franchisor cannot and does not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, Franchisee or

any employee, agent, or independent contractor of Franchisee and that the safe operation of any motor vehicle is, therefore, Franchisee's responsibility.

B. Defense of Claim. Franchisee and each of the Controlling Principals agree to give Franchisor notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee and each of the Controlling Principals, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or associate counsel of its own choosing with respect to, the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry, or investigation. Such an undertaking by Franchisor will, in no manner or form, diminish the obligation of Franchisee and each of the Controlling Principals to indemnify the Indemnitees and to hold them harmless.

C. Remedial Action. In order to protect persons or property, or its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, at any time and without notice, as it, in its judgment deems appropriate, consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry, or investigation if, in Franchisor's sole judgment, there are reasonable grounds to believe that:

(1) any of the acts or circumstances enumerated in Section 15.A.(1)-(4) above have occurred; or

(2) any act, error, or omission as described in Section 15.A.(5) may result directly or indirectly in damage, injury, or harm to any person or any property.

D. Losses and Expenses.

(1) All losses and expenses incurred under this Section 15. will be chargeable to and paid by Franchisee or any of the Controlling Principals pursuant to its obligations of indemnity under this Section, regardless of any actions, activity, or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

(2) As used in this Section 15., the phrase "**losses and expenses**" includes, without limitation, all losses, compensatory, exemplary, or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to the Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of marketing materials and media time/space, and costs of changing, substituting, or replacing the same, and any and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described.

E. Contributory Negligence. The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions (whether intentional, negligent, or otherwise) of any third party with whom Franchisee, any of the Controlling Principals, Franchisee's Affiliates, or any of the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of Franchisee or its Affiliates may contract, regardless of the purpose. Franchisee and each of the Controlling Principals will hold harmless and indemnify the Indemnitees for all losses and expenses which may arise out of any acts, errors, or omissions (whether intentional, negligent, or otherwise) of Franchisee, the Controlling Principals, Franchisee's Affiliates, the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, and employees of Franchisee and its Affiliates and any such other third parties without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint, or concurrent, or active or passive) or strict liability of Franchisor or any other party or parties arising in connection therewith.

F. Mitigation Not Required. Under no circumstances will the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee or any of the Controlling Principals. Franchisee and each of the Controlling Principals agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from Franchisee or any of the Controlling Principals by the Indemnitees.

G. Survival of Obligation. Franchisee and the Controlling Principals expressly agree that the terms of this Section 15. will survive the termination, expiration, or transfer of this Agreement or any interest herein.

16. RELATIONSHIP OF THE PARTIES

A. Independent Contractor Relationship. Franchisee agrees that the relationship created by this Agreement is not a fiduciary, special, or any other similar relationship, but rather is an arm's-length business relationship, and Franchisor owes Franchisee no duties except as expressly provided in this Agreement. Franchisee is and will be an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, or servant of the other for any purpose. Franchisor has no control over the day-to-day operation or management of the Restaurant and during the Term of this Agreement, Franchisee will operate the Restaurant in accordance with this Agreement and System Standards holding itself out to the public as an independent contractor conducting its Restaurant operations pursuant to the rights granted by Franchisor. All employees hired by or working for Franchisee will be the employees of Franchisee and will not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Franchisor has no authority to hire, fire, promote, or demote any of Franchisee's employees or take any disciplinary action whatsoever against any of them. Franchisee must communicate to all employees that Franchisee, not Franchisor, is their employer; and Franchisee must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or Franchisor's name. Franchisee will file its own tax, regulatory, and payroll reports with respect to its employees and operations, saving and indemnifying Franchisor from any liability of any nature whatsoever by virtue thereof.

B. Notice of Relationship. During the Term of this Agreement, Franchisee will hold itself out to the public as an independent contractor conducting its Restaurant operations pursuant to the rights granted by Franchisor. Franchisee agrees to take such action as necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Restaurant premises established for the purposes hereunder or on any Restaurant catering or delivery vehicle, the content and form of which Franchisor reserves the right to specify in writing.

C. No Liability. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee or any of the Controlling Principals to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor will not, in any event, assume liability for or be deemed liable under this Agreement as a result of any such action, or for any act or omission of Franchisee or any of the Controlling Principals or any claim or judgment arising therefrom.

17. TERMINATION

A. Material Obligations. Franchisee acknowledges and agrees that each of Franchisee's obligations described in this Agreement is a material and essential obligation of Franchisee; that nonperformance of such obligations will adversely and substantially affect Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

B. Termination Without Notice or Cure. Franchisee will be deemed to be in default under this Agreement, and all rights granted herein will automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless supersede as bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Restaurant premises or equipment is instituted against Franchisee and not dismissed within 30 days; or if the real or personal property of Franchisee's Restaurant is sold after levy thereupon by any sheriff, marshal, or constable.

C. Termination on Notice. Franchisee will be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

(1) If Franchisee fails to acquire an Approved Location for the Restaurant within the time and in the manner specified in Section 2.;

(2) If Franchisee fails to open the Restaurant for business as a full-service Bubba's 33 Restaurant within the period specified in Section 2.;

(3) If Franchisee at any time ceases to operate or otherwise abandons the Restaurant, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Restaurant is located; this provision will not apply in cases of Force Majeure, if through no fault of Franchisee, the premises are damaged or destroyed, provided that Franchisee applies within 30 days after such event for Franchisor's approval to relocate or reconstruct the premises (which approval will not be unreasonably withheld) but may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Restaurant is not in operation and Franchisee diligently pursues such reconstruction or relocation;

(4) If Franchisee or any of the Controlling Principals is convicted of, or has entered a plea of nolo contendere to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Marks, the goodwill associated therewith, or Franchisor's interests therein;

(5) If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Restaurant; provided that Franchisee may request that Franchisor reinstate this Agreement, if, within six months after termination under this Section 17.C.(5), the threat or danger to public health or safety is eliminated, and Franchisor has determined that such reinstatement would not cause Franchisor to incur any liability or loss of goodwill;

(6) If Franchisee fails to propose a qualified replacement or successor Operating Principal or Multi-unit Manager within the time period required under Section 6. of this Agreement;

(7) If Franchisee or any of the Controlling Principals transfer any rights or obligations under this Agreement in violation of, or otherwise fail to comply with the terms of Section 14. of this Agreement;

(8) If Franchisee or any of the Controlling Principals fails to comply with the in-term covenants in Section 10.C. or Franchisee fails to obtain execution of the covenants and related agreements required under Section 10.F. within 30 days after being requested to do so by Franchisor.

(9) If, contrary to the terms of Section 10.B., Franchisee or any of the Controlling Principals discloses or divulges any Confidential Information provided to Franchisee or the Controlling Principals by Franchisor, or fails to obtain execution of covenants and related agreements required under Section 10.F. within 30 days after being requested to do so by Franchisor;

(10) If Franchisee knowingly maintains false books or records, or submits any false reports to Franchisor;

(11) If Franchisee breaches in any material respect any of the covenants set forth in Section 6. or has falsely made any of the representations or warranties set forth in Section 6.;

(12) If Franchisee or any of the Controlling Principals commits two or more defaults under this Agreement in any 12-month period, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor; or

(13) If Franchisee or its Affiliate materially defaults under the terms and conditions of any other agreement with Franchisor or Franchisor's Affiliate and fails to cure such default within the cure period (if any) set forth therein.

D. Termination with Notice and Cure. Except as provided in Sections 17.B. and C., upon any default by Franchisee which is capable of being cured, Franchisor may terminate this Agreement by giving written notice of termination to Franchisee stating the nature of the default and the applicable cure period. Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the applicable cure period by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the applicable cure period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith, and fails to cure such default within 30 days following notice by Franchisor;

(2) If Franchisee fails to maintain or observe any of the Standards, specifications, or procedures prescribed by Franchisor in this Agreement, the Manuals, or otherwise in writing, and fails to cure such default within 30 days following notice by Franchisor;.

(3) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement, and fails to cure such default within 30 days following notice by Franchisor;

(4) If Franchisee fails to construct or remodel the Restaurant in accordance with the procedures set forth in Section 2. of this Agreement and fails to cure such default within 30 days following notice by Franchisor;

(5) If Franchisee operates the Restaurant or sells any products or services authorized by Franchisor for sale at the Restaurant at a location which has not been approved by Franchisor and fails to cure such default within five days following notice by Franchisor;

(6) If Franchisee fails to procure and maintain the insurance policies as required by Section 12. and Franchisee fails to cure such default within seven days following notice from Franchisor;

(7) If Franchisee or any of its Affiliates fails, refuses, or neglects promptly to pay any monies owing to Franchisor or any of its Affiliates when due under this Agreement or to submit the financial or other information required by Franchisor under this Agreement and does not cure such default within five days following notice from Franchisor; or

(8) If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein and fails to cure such default within 24 hours following notice from Franchisor.

18. POST-TERMINATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee will immediately terminate, and:

A. Cease Operations. Franchisee must immediately cease to operate the Restaurant under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former Franchisee of Franchisor.

B. Cease Use of the Marks and Confidential Information. Franchisee must immediately and permanently cease to use, in any manner whatsoever, any Confidential Information, including any computer software and confidential methods, procedures, and techniques associated with the System; the Bubba's 33 name and all other Marks and distinctive forms, slogans, signs, trade dress, symbols, and devices associated with the System. In particular, Franchisee must cease to use, without limitation, all signs, marketing materials, displays, stationery, forms, and any other items which display the Marks.

C. Cancel Assumed Name Registrations. Franchisee must take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Bubba's 33" or any other Mark, and Franchisee must furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five days after termination or expiration of this Agreement.

D. No Future Identification with Bubba's 33. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Marks, of Bubba's 33 trade dress, or of Bubba's 33 menu, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

E. Pay Amounts Owed. Franchisee and its Controlling Principals must promptly pay all sums owing to Franchisor and its Affiliates. Such sums will include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee, which obligation will give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

F. Remedies. Franchisee and the Controlling Principals must pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18.

G. Deliver Manuals and Other Materials. Franchisee must immediately deliver to Franchisor all Manuals, recipe books, records, files, instructions, correspondence, any computer software licensed by Franchisor, all materials related to operating the Restaurant, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Restaurant in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and must not retain any copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

H. Comply with Confidentiality and Noncompetition Covenants. Franchisee and the Controlling Principals must comply with the restrictions on Confidential Information contained in Section 10. of this Agreement and must also comply with the non-competition covenants contained in Section 10. Any other person required to execute documents containing similar covenants, pursuant to Section 10., must also comply with such covenants.

I. Franchisor's Option to Purchase Materials Bearing the Marks. Franchisee must also immediately furnish Franchisor an itemized list of all marketing and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location (unless such other location is another Bubba's 33 restaurant operating pursuant to a valid franchise agreement with Franchisor). Franchisor will have the right to inspect these materials. Franchisor will have the option, exercisable within 30 days after such inspection, to purchase any or all of the materials at Franchisee's cost. Materials not purchased by Franchisor must not be utilized by Franchisee or any other party for any purpose unless authorized in writing by Franchisor.

J. Franchisor's Option to Acquire Leases. If Franchisee operates the Restaurant under a lease for the Restaurant premises with a third party or, with respect to any lease for equipment used in the operation of the franchised business, then Franchisee will, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Restaurant or any equipment related thereto. Franchisee acknowledges and agrees that Franchisor will have no obligation under any circumstances to reimburse or otherwise compensate Franchisee in connection with any such lease assignment, including, without limitation, no obligation to reimburse or otherwise compensate Franchisee for any leasehold improvement costs or expenses or other costs or expenses incurred by Franchisee in connection with the Restaurant premises. Franchisee also acknowledges and agrees that Franchisor will have no obligation under any circumstances to reimburse or otherwise compensate Franchisee for any goodwill, business start-up costs, or other losses during start-up. Franchisor may exercise such option at or within 30 days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Restaurant premises (or, if applicable, does not exercise its options under Section 18.K.(2)) or does not have such option, Franchisee will make such modifications or alterations to the Restaurant premises as are necessary to distinguish the appearance of the Restaurant from that of other restaurants operating under the System and will make such specific additional changes as Franchisor may require. If Franchisee fails or refuses to comply with the requirements of this Section 18.J., Franchisor will have the right to enter upon the premises of the Restaurant, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

K. Franchisor's Option to Acquire Restaurant and Assets.

(1) Except as provided in Section 18.I, Franchisor will have the option, to be exercised within 30 days after termination or expiration of this Agreement, to purchase from Franchisee or any entity controlled by Franchisee or one of its Principals any or all of the furnishings, equipment (including any computer hardware, software, and related documentation not licensed by Franchisor), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Restaurant, at Franchisee's cost or fair market value, whichever is less. If Franchisor exercises the option set forth in this Section, Franchisor will purchase Franchisee's assets only and will not assume any liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within 30 days of Franchisor's exercise of its option, fair market value will be determined by two appraisers, with each party selecting one appraiser, and the average of their determinations will be binding. In the event of such appraisal, each party will bear its own legal and other costs and will split the appraisal fees. If Franchisor elects to exercise any option to purchase herein provided, it will have the right to set off **(i)** all fees for any such independent appraiser due from Franchisee, **(ii)** all amounts due from Franchisee to Franchisor or any of its Affiliates, and **(iii)** any costs incurred in connection with any escrow arrangement (including reasonable legal fees) against any payment therefor and will pay the remaining amount in cash.

(2) In addition to the options described above, and if Franchisee or any entity controlled by Franchisee or one of its Principals owns the Restaurant premises, Franchisor will have the option, to be exercised at or within 30 days after termination or expiration of this Agreement, to purchase the Restaurant premises including any building thereon, if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies, and inventory therein at Franchisee's cost or fair market value, whichever is less. If Franchisor exercises the option set forth in this Section, Franchisor will purchase assets only and will not assume any liabilities whatsoever, unless otherwise agreed to in writing by the parties. If Franchisee or any entity controlled by Franchisee or one of its Principals does not own the land on which the Restaurant is operated and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building, if owned by Franchisee, and of purchasing related assets as described above. If the parties cannot

agree on fair market value within 30 days of Franchisor's exercise of its option, fair market value will be determined in accordance with the appraisal procedure described above.

(3) With respect to the options described in Sections 18.J. and K,(1) and (2), Franchisee or any entity controlled by Franchisee or one of its principals must deliver to Franchisor, in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments, and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

(4) The time for closing of the purchase and sale of the properties described in Section 18.K.(1) and (2) will be a date not later than 30 days after the purchase price is determined by the parties or the determination of the appraisers, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 18.J. will be a date not later than 10 days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Section 18.K.(1) or (2), in which case the date of the closing will be on the same closing date prescribed for such option. Closing will take place at Franchisor's corporate offices or at such other location as the parties may agree.

L. Assignment of Option Rights. Franchisor is entitled to assign any and all of its options in this Section 18. to any other party, without the consent of Franchisee.

M. Franchisor's Option to Acquire Telephone Numbers and Other Business Listings. At Franchisor's option, Franchisee will assign to Franchisor all rights to the telephone numbers of the Restaurant and any related Yellow Pages trademark listings, as well as all rights to any Internet Websites including, without limitation, social media sites, domain names, URLs, listings, services, search engines or systems, and any other business listings related to the Restaurant. Franchisee will execute all forms and documents required by Franchisor, the telephone company, any Internet service provider, social media or domain name registrar, or other third party to transfer the telephone service, telephone numbers, domain names, and other rights listed above to Franchisor. Franchisee hereby appoints Franchisor as its true and lawful agent and attorney- in-fact with full power and authority, for the sole purpose of taking all action necessary to complete such assignment; this power of attorney will survive the expiration or termination of this Agreement. After the assignment, Franchisee will use different telephone numbers, domain names, and listings at or in connection with any subsequent business it may conduct.

19. MISCELLANEOUS

A. Notices. Any and all notices required or permitted under this Agreement will be in writing and will be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile, or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three Business Days after transmission) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:	Texas Roadhouse Development Corporation 6040 Dutchmans Lane Louisville, Kentucky 40205 Attention: Legal Department Facsimile: 502-426-3274
Notices to Franchisee and the Controlling Principals:	________________________________ ________________________________ ________________________________ ________________________________ Attention: _______________________ Facsimile: _______________________

Any notice will be deemed to have been given at the time of personal delivery or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three Business Days after the date and time of mailing.

B. Entire Agreement. This Agreement, the documents referred to herein, the Addenda (if applicable), Attachments, and Exhibits hereto, constitute the entire, full, and complete agreement between Franchisor and Franchisee and the Controlling Principals concerning the subject matter hereof and will supersede all prior related agreements between Franchisor and Franchisee and the Controlling Principals; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the franchise disclosure document that it furnished to Franchisee in connection with the execution of this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

C. No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or the Controlling Principals under this Agreement will constitute a waiver by Franchisor to enforce any such right, option, duty, or power against Franchisee or the Controlling Principals, or as to a subsequent breach or default by Franchisee or the Controlling Principals. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due will not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee or the Controlling Principals of any terms, provisions, covenants, or conditions of this Agreement.

D. Procedure for Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee will make a timely written request to Franchisor, and such approval or consent will be obtained in writing.

E. No Implied Warranties. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefore.

F. Force Majeure. If a Force Majeure event occurs, then, in addition to payments required under Section 17.C.(3), Franchisee will continue to be obligated to pay to Franchisor any and all amounts due pursuant to terms of this Agreement prior to the occurrence of any Force Majeure event, and the Indemnitees will continue to be indemnified and held harmless by Franchisee in accordance with Section 15. Except as provided in Section 17.C.(3) and the immediately preceding sentence herein, none of the parties hereto will be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby will give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected thereby, and a plan for resuming operation under the Agreement, which plan the party will promptly undertake and maintain with due diligence. Such affected party will be liable for failure to give timely notice only to the extent of damage actually caused.

G. Limitation on Claims. Franchisee and the Controlling Principals, jointly and severally, agree that no cause of action arising out of or under this Agreement may be maintained by Franchisee nor the Controlling Principals against Franchisor unless brought before the expiration of two years after the act, transaction, or occurrence upon which such action is based or the expiration of one year after Franchisee or the Controlling Principals become aware of facts or circumstances reasonably indicating that such party may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or setoff.

H. Mediation. The parties agree to submit any claim, controversy, or dispute arising out of or relating to this Agreement (and all attachments, exhibits, and addenda) or the relationship created by this agreement to non-binding mediation prior to bringing such claim, controversy, or dispute in a court or before any other tribunal. The mediation will be conducted through either an individual mediator or a mediator appointed by a mediation services organization or body, experienced in the mediation of food service business disputes, agreed upon by the parties and, failing such agreement, within a reasonable period of time after either party has notified the other of its desire to seek mediation of any claim, controversy, or dispute (not to exceed 15 days), by the American Arbitration Association in accordance with its rules governing mediation, at Franchisor's corporate headquarters, currently in Louisville, Kentucky. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees and travel expenses incurred by either party), will be borne by the parties equally. If the parties are unable to resolve the claim, controversy, or dispute within 90 days after the mediator has been chosen, then either party may bring a legal proceeding under section 19.I. below to resolve such claim, controversy, or dispute unless such time period is extended by written agreement of the parties. Notwithstanding the foregoing, Franchisor may bring an action **(1)** for monies owed, **(2)** for injunctive or other extraordinary relief, or **(3)** involving the possession or disposition of, or other relief relating to, real property, in a court having jurisdiction and in accordance with section 19.I. below, without first submitting such action to mediation.

I. Jurisdiction and Venue; Governing Law.

(1) With respect to any claims, controversies, or disputes which are not finally resolved through mediation or as otherwise provided above, Franchisee and the Controlling Principals hereby irrevocably submit themselves to the jurisdiction of the state courts of Jefferson County, Kentucky and the federal district court for the Western District of Kentucky. Franchisee and the Controlling Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision and hereby agree that service of process may be made upon any of them in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by Kentucky or federal law. Franchisee and the Controlling Principals further agree that venue for any proceeding relating to or arising out of this agreement will be Jefferson County, Kentucky; provided, however, with respect to any action **(1)** for monies owed, **(2)** for injunctive or other extraordinary relief, or **(3)** involving possession or disposition of, or other relief relating to, real property, Franchisor may bring such action in any state or federal district court which has jurisdiction. With respect to all claims, controversies, disputes, or actions, this Agreement will be interpreted and construed under Kentucky law (except for Kentucky choice of law rules).

(2) Franchisor, Franchisee, the Controlling Principals, acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 19.I.(1) above provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the parties' relationship created by this Agreement. Each of Franchisor, Franchisee, and

the Controlling Principals further acknowledges the receipt and sufficiency of mutual consideration for such benefit.

(3) Franchisor, Franchisee, the Controlling Principals acknowledge that the execution of this Agreement and acceptance of the terms by the parties occurred in Louisville, Kentucky, and further acknowledge that the performance of certain obligations of Franchisee arising under this agreement, including, but not limited to, the payment of monies due hereunder and the satisfaction of certain training requirements of Franchisor, will occur in Louisville, Kentucky.

J. WAIVER OF DAMAGES; WAIVER OF JURY TRIAL.

(1) FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST FRANCHISOR, ITS AFFILIATES, AND THE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS, AND EMPLOYEES OF EACH OF THEM, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT, OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, FRANCHISEE AND THE CONTROLLING PRINCIPALS WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY THEM. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL, OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) WILL CONTINUE IN FULL FORCE AND EFFECT.

(2) **FRANCHISOR, FRANCHISEE, AND THE CONTROLLING PRINCIPALS HEREBY FURTHER IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THEM OR THEIR RESPECTIVE AFFILIATES**.

K. Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which when so executed will be an original, and all of which will constitute one and the same instrument.

L. Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions will not be deemed to govern, limit, modify, or in any other manner affect the scope, meaning, or intent of the provisions of this Agreement or any part thereof, nor will such captions otherwise be given any legal effect.

M. Survival. Any obligation of Franchisee or the Controlling Principals that contemplates performance of such obligation after termination or expiration of this Agreement, or the transfer of any interest of Franchisee or the Controlling Principals therein, will be deemed to survive such termination, expiration, or transfer.

N. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such invalidity, contradiction, or conflict will not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms, or provisions of this Agreement that may remain otherwise intelligible, and the latter will continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms, or provisions will be deemed not to be part of this Agreement; and there will be automatically added such portion, section, part, term, or provision as similar as possible to that which was severed which will be valid and not contrary to or in conflict with any law or regulation.

O. Gender. All references herein to the masculine, neuter, or singular will be construed to include the masculine, feminine, neuter, or plural, where applicable.

P. Remedies Cumulative. All rights and remedies of the parties to this Agreement will be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between Franchisee or any of its Affiliates and Franchisor or any of its Affiliates. The rights and remedies of the parties to this Agreement will be continuing and will not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Section 17. of this Agreement will not discharge or release Franchisee or any of the Controlling Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement.

Q. Definitions.

(1) "**Affiliate**" means, with respect to a named person or entity, any person or entity that is controlled by, controlling, or under common control with the named person or entity.

(2) **"Anti-Terrorism Laws"** means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and any other requirements of any Governmental Authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control (a.k.a. OFAC)) addressing or in any way relating to terrorist acts and acts of war.

(3) "**Business Day**" means any day other than Saturday, Sunday, or federal holidays in the U.S.

(4) "**Competitive Business**" means any casual dining restaurant that is, in Franchisor's sole discretion, of a character and concept that is the same as or similar to (having regard to factors such as market standing and positioning, menu offerings, and customer profile) the Restaurant and the Bubba's 33 concept (as such concept evolves or changes over time).

(5) "**Confidential Information**" means any and all information, knowledge, know-how, techniques, and any materials used in or related to the System which Franchisor provides to Franchisee, or which Franchisee or its Principals or employees develop, in connection with this Agreement or the operation of the Restaurant hereunder, including, without limitation, any actual or potential recipes, menu items, suppliers, products, services, systems, applications, procedures, or methods of advertising, marketing, training, inventory or financial controls, management, service or procurement, and any confidential matter regarding the business of Franchisor or any of its Affiliates.

(6) "**Controlling Principals**" includes, collectively and individually, **(i)** any Franchisee's Principal who has ownership or control of the power to vote 10% or more of the outstanding equity interests of any such entity, **(ii)** the control in any manner of the election of more than one director or trustee (or persons exercising similar functions) of such entity, or **(iii)** the possession of the power to direct or cause the direction of the management and/or policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

(7) "**Effective Date**" means the date an authorized representative of Franchisor executes this Agreement. The Effective Date will be entered in the space provided in the preamble to this Agreement.

(8) “**Force Majeure**” means acts of God, strikes, lockouts, or other industrial disturbances, war, riot, acts of terrorism, epidemic, fire, or other catastrophe or other forces beyond Franchisee’s control.

(9) “**Managers**” means, collectively, all Multi-unit Manager, Managing Partners, Kitchen Managers, or other individuals who Franchisee designates as a manager.

(10) “**Manuals**” means the manuals, written guidelines, or other materials that Franchisor has developed which relate to the procedures, methods, Standards, and specifications for developing and operating Bubba’s 33 Restaurants, as they may be modified from time to time by Franchisor. The term “Manuals” also includes alternative or supplemental means of communicating such information to Franchisee, including electronic and digital modes of communication, as well as by bulletins, videotapes, and audio tapes. The term “Manuals” does not refer to a single specific compilation of information, but rather to Franchisor’s then-current Standards, specifications, instructions, requirements, methods, and procedures for the establishment, management, and operation of a Bubba’s 33 Restaurant, which may exist in numerous formats and locations. Manuals may include, without limitation, operations manuals, brand standards/brand requirements manuals, and marketing and sales manuals, among others.

(11) “**Principals**” includes, collectively and individually, Franchisee’s spouse, if Franchisee is an individual, all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee’s Principals, all holders of an ownership interest in Franchisee and in any entity with an ownership interest in or that directly or indirectly controls Franchisee, and any other person or entity controlling, controlled by, or under common control with Franchisee. The initial Franchisee’s Principals mst be listed in Attachment C to this Agreement.

(12) “**Publicly-held Corporation**” means a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

(13) “**Standards**” means the brand standards, requirements, specifications, policies, and procedures of the Bubba’s 33 System, as specified from time to time by Franchisor in the Manuals, or otherwise in writing.

(14) “**System**” means the business system for establishing and operating Bubba’s 33 Restaurants, the distinguishing characteristics of which include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; special recipes and menu items; uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management, and financial control; training and assistance; and marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

(15) “**Taxes**” means any present or future taxes, including, without limitation, sales taxes, excise taxes, withholding taxes, or income taxes, levies, imposts, duties, regulatory fees, or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the franchised business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except Taxes imposed on or measured by Franchisor’s net income.

R. Interpretation. Each reference in this Agreement to a corporation or partnership will be deemed to also refer to a limited liability company and any other entity or organization similar thereto. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement will be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

S. No Third Party Beneficiaries. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than

Franchisee, Franchisor, Franchisor's officers, directors, and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 14.), any rights or remedies under or as a result of this Agreement.

T. Expenses. Except as otherwise expressly provided herein, any action or obligation that Franchisee is required to undertake or may be required to undertake in this Agreement, or any action or obligation that Franchisor performs on Franchisee's behalf in accordance with the terms of this Agreement, will be at Franchisee's sole expense. Franchisee agrees to pay or reimburse Franchisor for any such expenses on demand.

U. Agreement Effective Upon Execution by Franchisor. This Agreement will not become effective until signed by an authorized officer of Franchisor.

20. ACKNOWLEDGMENTS

A. Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

B. Consultation with Advisors. Franchisee acknowledges that Franchisee has received, read, and understands this Agreement and the related Attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

C. FTC Rule Compliance. Franchisee acknowledges that it received a complete copy of the Franchisor's "Franchise Disclosure Document" and this Agreement and all related Attachments and agreements at least 14 calendar days prior to the date on which this Agreement was executed.

D. Reliance on Franchisor. Franchisee acknowledges that Franchisee is relying solely on Franchisor, and not on any Affiliated entities or parent companies related to Franchisor, with regard to Franchisor's financial and other obligations under this Agreement, and no employee or other person speaking on behalf of, or otherwise representing, Franchisor has made any statement or promise to the effect that Franchisor's Affiliated entities or parent companies guarantee Franchisor's performance or financially back Franchisor.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

CONTROLLING PRINCIPALS' GUARANTY AND ASSUMPTION AGREEMENT

This Guaranty and Assumption Agreement ("**Guaranty**") is given this _______ day of _____________, 20__, in consideration of, and as an inducement to, Texas Roadhouse Development Corporation ("**Franchisor**") to enter into that certain Franchise Agreement dated ______________ ("**Agreement**") with ______________ ("**Franchisee**"). Each of the undersigned and any other parties who sign counterparts of this Guaranty (individually, "**Guarantor**"; collectively, "**Guarantors**") are Controlling Principals (as defined in the Agreement) of Franchisee and will receive material benefit from the execution of the Agreement by Franchisor.

Each Guarantor hereby personally and unconditionally guarantees to Franchisor and its successors and assigns that Franchisee will punctually perform its obligations and pay all amounts due under the Agreement, including, without limitation, amounts due for initial franchise fees, royalties, and Fund contributions and purchases of equipment, materials, and supplies.

Each Guarantor waives:

(i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and

(ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and

(iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and

(iv) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and

(v) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty; and

(vi) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

(a) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and

(b) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; and

(c) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and

(d) such liability will not be diminished, relieved, or otherwise affected by any subsequent rider or amendment to the Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Agreement and for so long thereafter as there are any monies or obligations owing by Franchisee to Franchisor under the Agreement; and

(e) Franchisee's written acknowledgment, accepted in writing by us, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor also makes all of the covenants, representations, warranties, and agreements of the Controlling Principals set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under <u>Sections 6., 10., 14., 15., 18., 19.G., H., I., J., and K</u>.

If Franchisor is required to enforce this Guaranty in an administrative, judicial, or arbitration proceeding, and prevails in such proceeding, Franchisor will be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial, or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by Franchisor.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Agreement was executed.

CONTROLLING PRINCIPALS

____
*Name ______________________________

____
Name ______________________________

____
Name ______________________________

____
Name ______________________________

____
Name ______________________________

____
Name ______________________________

* Denotes individual who is Franchisee's Operating Principal

Attachment A

SELECTED TERMS

1 . DESIGNATED AREA

Pursuant to Section 1.B. of the Franchise Agreement, the non-exclusive geographic area within which the Restaurant will be located ("**Designated Area**") is:

____
____
____

2 . APPROVED LOCATION

Pursuant to Section 2.C. of the Franchise Agreement, the Restaurant will be located at the following Approved Location:

____
____
____

3. **ASSIGNED AREA (Not to exceed a 7-mile radius centered from the Approved Location of the Restaurant)**

Pursuant to Section 1.C. of the Franchise Agreement, Franchisee's primary area of operation within which Franchisee is granted certain rights as set forth in Section 1.C. ("**Assigned Area**") will be as described and as depicted on the map attached hereto and incorporated herein. THIS ATTACHMENT A IS NOT VALID OR BINDING UNLESS BOTH THIS PAGE AND THE ATTACHED MAP OF THE ASSIGNED AREA ARE SIGNED BY BOTH FRANCHISEE AND FRANCHISOR. IF THERE IS A DISCREPANCY BETWEEN THE DESCRIPTION BELOW AND THE MAP, THE MAP WILL DICTATE:

____
____
____

4 . AREA OF PRIMARY RESPONSIBILITY

Pursuant to Section 1.D. of the Franchise Agreement, Franchisee's non-exclusive area of primary responsibility for marketing and promotional purposes ("**Area of Primary Responsibility**") IS:

____
____
____
____

5 OPENING DATE
.

Pursuant to Section 2.G. of the Franchise Agreement, the Opening Date of the Restaurant is _______________, 20____.

FRANCHISOR:

TEXAS ROADHOUSE DEVELOPMENT CORPORATION, a Kentucky corporation

By: ______________________________________
W. Kent Taylor, Chairman and CEO

FRANCHISEE:

____
By: ______________________________________
Name: ______________________________________
Title: ______________________________________

Attachment B

LEASE RIDER

THIS LEASE RIDER ("**Rider**") is made and entered into this ____ day of ___________, 20__ by and among Texas Roadhouse Development Corporation, a Kentucky corporation ("**Franchisor**"), ______________________, a ______________________________ ("**Franchisee**"), and ___________________, __________________________ ("**Landlord**").

WHEREAS, Franchisor and Franchisee are parties to that certain Franchise Agreement dated ____________, 20__ (as the same may have been amended, "**Franchise Agreement**");

[OPTION 1] WHEREAS, *Franchisee and Landlord desire to enter into a lease ("**Lease**") pursuant to which Franchisee will occupy the premises located at ____________________________ ____________________________ ("**Premises**") for a Bubba's 33 restaurant ("**Restaurant**") licensed under the Franchise Agreement; and*

[OPTION 2] WHEREAS, *Franchisee and Landlord are parties to that certain Lease dated ___________ (as the same may have been amended, "**Lease**") pursuant to which Franchisee is occupying the premises located at ____________________________ ____________________________ ("**Premises**") for a full-service Bubba's 33 restaurant ("**Restaurant**") licensed under the Franchise Agreement; and*

[OPTION 1] WHEREAS, *as a condition to entering into the Lease, Franchisee is required under the Franchise Agreement to execute this Rider along with Landlord and Franchisor.*

[OPTION 2] WHEREAS, *as a condition to Franchisor agreeing to renew Franchisee's right to operate the Restaurant, Franchisee is required under the Franchise Agreement to execute this Rider along with Landlord and Franchisor.*

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein and in the Franchise Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

(1) During the Term of the Franchise Agreement, the Premises will be used only for the operation of the Restaurant.

(2) Landlord consents to Franchisee's use of such marks and neon signs, border neon, exterior roof and building material, decor items, color schemes, and related components of the Bubba's 33 restaurant system as Franchisor may prescribe from time to time for the Restaurant and will permit Franchisee to make the necessary alterations and/or modifications to the Restaurant to be consistent with Franchisor's then-current national prototype.

(3) Landlord agrees to furnish Franchisor with copies of any and all default notices sent to Franchisee pertaining to the Lease and the Premises, at the same time that such default notices are sent to Franchisee.

(4) Subject to the terms and conditions of this Section (4), Franchisor will have the right, but not the obligation, and without being deemed to have assumed Franchisee's rights and obligations under the Lease**,** to cure any default by Franchisee under the Lease, without being guilty of trespass or any other crime or tort. If Franchisee has failed to cure any default under the Lease at the expiration of the applicable cure period, and provided Landlord has provided Franchisor with copies of any applicable default notices in accordance with Section (3) above, then Franchisor's cure period for any default by Franchisee will be **(i)** five business days following the expiration of the cure period granted to Franchisee under the Lease for any monetary default, and **(ii)** 15 days following the expiration of the cure period granted to Franchisee under the Lease for any non-monetary default. Landlord will not have the right to exercise any of Landlord's remedies arising as a consequence of Franchisee's default under the Lease

beyond any applicable notice and cure period until the expiration of such foregoing cure period(s) for the benefit of Franchisor. Such cure by Franchisor will not be deemed to be an election to assume the terms, covenants, obligations, and conditions of the Lease.

(5) If Franchisee defaults under the Lease beyond any applicable notice and cure period and/or Franchisor notifies Landlord of the termination and/or expiration of the Franchise Agreement, then, in either such event, Franchisor or any of its affiliates will have the right and option to assume the terms, covenants, obligations, and conditions of the Lease for the remainder of the term, together with any applicable renewal options, without Landlord's prior approval and without charge by providing written notice to Landlord of such election. In such event, Landlord and Franchisor, or such affiliate (as and if applicable), will enter into an agreement to document such assumption. Franchisor or such affiliate (as and if applicable) will have no liability for defaults or obligations accruing prior to the date of such assumption. Franchisee hereby consents to such assumption and agrees that Landlord will be entitled to rely on any written notice from Franchisor and will have no liability to Franchisee related thereto.

(6) Franchisee will be permitted to assign the Lease to Franchisor or any of its affiliates at any time during the term of the Lease, and Landlord hereby consents to (and agrees to provide written consent to) such assignment and agrees not to impose or assess any assignment fee or similar charge or accelerate or increase rent under the Lease in connection with such assignment.

(7) In the event of an assignment in accordance with Section (6) above, Franchisor or such affiliate designated by Franchisor will agree to assume from the date of assignment all obligations of Franchisee remaining under the Lease, and in such event, Franchisor or any such affiliate will assume Franchisee's occupancy rights for the remainder of the term of the Lease.

(8) If, at any time after the assumption of the Lease contemplated in Section (5) above, or the assignment of the Lease contemplated in Section (6) above, Franchisor notifies Landlord that the franchise for the Restaurant is being granted to another Bubba's 33 franchisee, then Landlord will permit the assignment of the Lease to said franchisee without Landlord's consent and without the payment of any fee or other cost requirement. Thereafter, Franchisor or its affiliate designated by Franchisor (as and if applicable) will be released from any and all further liabilities under the Lease. The parties agree to execute any commercially reasonable documents in furtherance of this Section (8).

(9) If the Lease or Franchise Agreement is terminated and Franchisor does not exercise its option to assume the Lease in accordance with this Rider, then Franchisee agrees, upon written demand by Franchisor, to promptly remove signs, decor, and other items which Franchisor requests be removed as being distinctive and indicative of Franchisor's trademarks and trade dress, in Franchisor's sole discretion. Franchisor may enter upon the Premises without being guilty of trespass or tort to effect such de-identification if Franchisee fails to do so within 10 days after receipt of written demand from Franchisor. Franchisee will pay Franchisor for Franchisor's reasonable costs and expenses in effecting such de-identification.

(10) Franchisee will not assign the Lease without the prior written consent of Franchisor. In the event Franchisee elects to extend the term of the Lease in accordance with the terms and conditions of the Lease, then Franchisee will deliver notice to Franchisor contemporaneously with the renewal notice to Landlord.

(11) Following the date of this Rider, Franchisee and Landlord will not enter into any Material Modification (defined below) of the Lease without Franchisor's prior written consent, which consent will not be unreasonably withheld, conditioned, or delayed. For the purposes of this Rider, "**Material Modification**" means any amendment or modification of the Lease which **(i)** shortens or extends the term of the Lease (excluding the exercise of Franchisee's renewal option(s) expressly set forth in the Lease); **(ii)** decreases Franchisee's obligations under the Lease by more than a de minimus extent; and/or **(iii)** decreases the rights granted to Franchisor under this Rider.

(12) This Rider cannot be changed, modified, waived, or cancelled except by an agreement in writing executed by the parties hereto. The terms of this Rider will supersede any conflicting terms of the Lease (as the same may be amended in the future by Landlord and Franchisee). The terms and provisions hereof will be binding upon and will inure to the benefit of the heirs, executors, administrators, successors, and permitted assigns, respectively, of Franchisor, Franchisee, and Landlord. This Rider may be executed in counterparts, each of which will be deemed to be an original, but all of which will constitute one and the same instrument. This Rider will be binding on the parties when executed and delivered by the parties to one another by facsimile and/or other electronic transmission.

IN WITNESS WHEREOF, the parties have executed this Rider as of the date first above written.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ______________________________
W. Kent Taylor, Chairman and CEO

FRANCHISEE:

____

By: ______________________________
Name: ______________________________
Title: ______________________________

LANDLORD:

____

By: ______________________________
Name: ______________________________
Title: ______________________________

Attachment C

STATEMENT OF OWNERSHIP INTERESTS

A. The following is a list of all shareholders, partners, or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

Name	Percentage of Ownership	Nature of Interest

B. The following is a list of all of Franchisee's Principals who are not signing the Controlling Principals' Guaranty and Assumption Agreement, each of whom must execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Attachment D:

C. The following is a list of all of Franchisee's Controlling Principals, each of whom must execute the Controlling Principals' Guaranty and Assumption Agreement following the signature page:

Attachment D

CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE

This Agreement is made and entered into this ____ day of ________________, 20__, between Texas Roadhouse Development Corporation, a Kentucky corporation (“**Franchisor**”), ____________________ (“**Franchisee**”), and ______________________ (“**Covenantor**”).

RECITALS

WHEREAS, Franchisor has developed or has acquired the right to use and license the use of a distinctive system (“**System**”) for the development and operation of full-service restaurants under the name and mark Bubba’s 33 (“**Restaurants**”); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “Bubba’s 33” and such other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the System (“**Marks**”) and certain information, knowledge, know-how, techniques and any materials used in or related to the System which Franchisor provides to Franchisee, or which Franchisee or its Principals (as defined in the Franchise Agreement, described below) or employees develop, in connection with the Franchise Agreement or the operation of the Restaurant thereunder, including, without limitation, any actual or potential recipes, menu items, suppliers, products, services, systems, applications, procedures, or methods of advertising, marketing, training, inventory or financial controls, management, service or procurement and any confidential matter regarding the business of Franchisor or any of its Affiliates (“**Confidential Information**”); and

WHEREAS, the Marks and Confidential Information provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor’s competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Franchisee the limited right to operate a Restaurant using the System, the Marks and the Confidential Information for the period defined in the Franchise Agreement made and entered into on _________________, 20__ (“**Franchise Agreement**”), by and between Franchisor and Franchisee; and

WHEREAS, Franchisor and Franchisee have agreed in the Franchise Agreement on the importance to Franchisor and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it will be necessary for certain Multi-unit Managers, and other managers, employees, agents, independent contractors, officers, directors and interest holders of Franchisee, or any entity having an interest in the Franchisee (“**Covenantor**”) to have access to and to use some or all of the Confidential Information in the management and operation of Franchisee’s business using the System; and

WHEREAS, Franchisee has agreed to obtain from those covenantors written agreements protecting the Confidential Information and the System against unfair competition; and

WHEREAS, Covenantor wishes to remain, or wishes to become associated with or employed by Franchisee; and

WHEREAS, Covenantor wishes and needs to receive and use the Confidential Information in the course of his employment or association in order to effectively perform his services for Franchisee; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Franchisee will disclose to Covenantor some or all of the Confidential Information relating to the System. All information and materials, including, without limitation, any manuals, drawings, specifications, techniques, and compilations of data containing Confidential Information which Franchisor provides to Franchisee and/or Covenantor will be deemed Confidential Information for the purposes of this Agreement.

2. Covenantor will, at all times, maintain the confidentiality of the Confidential Information and will use it only in the course of his or her employment or association with an Franchisee and then only in connection with the development and/or operation by Franchisee of a Restaurant for so long as Franchisee is licensed by Franchisor to use the System.

3. Covenantor will not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

4. Covenantor will not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the development or operation of a Restaurant using the System.

5. Covenantor will surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which such information or material may have been furnished to Covenantor.

6. Covenantor will not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

7. All manuals are loaned by Franchisor to Franchisee for limited purposes only and remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

8. If Covenantor develops any new concept, process, recipe, menu item, improvement, invention, or work of authorship in the operation or promotion of the Restaurant, alone or jointly with others and within or without the facilities of the Restaurant, before, during or after normal business hours ("**Work Product**") Covenantor will promptly notify Franchisee and Franchisor and will provide them with all necessary related information, without compensation. Covenantor acknowledges that any such Work Product will inure to the benefit of and become the property of Franchisor, and Franchisor may use or disclose such Work Product to its Franchisees and to its Affiliates, successors, and assigns, as it determines to be appropriate, without compensation to Covenantor. Covenantor will execute in favor of Franchisor an assignment of (and Covenantor does hereby assign) his or her entire right, title, and interest in and to the Work Product and agrees to execute such other documents and instruments as Franchisor may request. Franchisee and the Controlling Principals further agree to cooperate to the extent and in the manner reasonably requested by Franchisor in the prosecution or defense of any litigation or other proceedings involving any Work Product, but all of Covenantor's reasonable expenses in connection therewith shall be paid by Franchisor. If a copyright registration or patent is filed by or on behalf of Covenantor within one

year following the earlier of the termination or expiration of the Franchise Agreement, or the time at which Covenantor ceases to be associated with Franchisee, describing a work which relates to the business of Franchisor, it will be conclusively presumed that such work is to be treated as a Work Product for all purposes hereunder.

Covenants Not to Compete

1. In order to protect the goodwill of the System and the confidentiality and value of the Confidential Information, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchisee's Restaurant to any Competitive Business (as defined in Section 19.Q. of the Franchise Agreement) of any Bubba's 33 Restaurant open or proposed.

b. Not to employ, or seek to employ, any person who is at the time or was within the preceding 12 months employed by Franchisor or any Franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Franchisee's employment of such person if permitted under the Franchise Agreement.

[*]c. Except for the Restaurant described in the Franchise Agreement, not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person, partnership or corporation, without the prior written consent of Franchisor, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any Competitive Business (as defined in Section 19.Q. of the Franchise Agreement) located within **(i)** the United States, **(ii)** United States territories or commonwealths, or **(iii)** any other country, province, state or geographic area in which Franchisor has used, sought registration of or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the System, Covenantor agrees and covenants that for two years following the earlier of the expiration or termination (whether as a result of a sale or transfer to Franchisor or otherwise), unless the termination is effected by Franchisee with cause pursuant to Section 17.C. of the Agreement or transfer of all of Franchisee's interest in the Franchise Agreement or the termination of his association with or employment by Franchisee, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Restaurant to any competitor or Competitive Business (as defined in Section 19.R. of the Franchise Agreement)**.**

b. Employ, or seek to employ, any person who is at the time or was within the preceding 12 months employed by Franchisor or any Franchisee or developer of Franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment.

c. Directly or indirectly, for himself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any Competitive Business (as defined in Section 19.R. of the Franchise Agreement), which business is, or is intended to be located **(i)** at the Approved Location (as such term is defined in the Franchise Agreement), **(ii)** within the Assigned Area (as such term is defined in the Franchise Agreement), or **(iii)** within a 10-mile radius of any Bubba's 33 Restaurant or other Bubba's 33 facility in existence or under construction at any given time during such period.

---

[*] May be deleted if Franchisor does not require Franchisee to obtain the execution of this covenant by Covenantor. See Section10.F. of the Franchise Agreement.

The obligations described in this Section 2. will be tolled for any period of noncompliance.

Miscellaneous

1. Franchisee will make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor will be entitled to enforce the provisions of this Agreement and will be entitled, in addition to any other remedies which are made available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement. Notwithstanding the foregoing, Franchisor may recover its costs incurred in enforcing this Agreement from Franchisee without the necessity of first making demand upon or bringing an action against Covenantor.

4. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor will not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF KENTUCKY, WITHOUT REFERENCE TO KENTUCKY CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE COURTS OF JEFFERSON COUNTY, KENTUCKY AND THE FEDERAL DISTRICT COURTS FOR THE WESTERN DISTRICT OF KENTUCKY. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM OR HER IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY KENTUCKY OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT WILL BE JEFFERSON COUNTY, KENTUCKY; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. If Covenantor is a resident of the State of California, or otherwise subject to the laws of the State of California, Covenantor hereby waives **(a)** all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and **(b)** California Civil Code Sections 2899 and 3433.

7. **THE PARTIES TO THIS AGREEMENT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PRO CEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT OR THIS AGREEMENT**.

8. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose

a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

10. All notices and demands required to be given hereunder must be in writing and must be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, or electronic mail (provided that the sender confirms the facsimile or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three Business Days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to:

Texas Roadhouse Development Corporation
6040 Dutchmans Lane
Louisville, Kentucky 40205
Attention: Legal Department
Facsimile: (502) 426-3274

If directed to Franchisee, the notice shall be addressed to:

____
____
____
Attention: __________________________
Facsimile: __________________________

If directed to Covenantor, the notice shall be addressed to:

____
____
____
Attention: __________________________
Facsimile: __________________________

Any notices sent by personal delivery will be deemed given upon receipt or when delivery is attempted. Any notices given by facsimile or electronic mail will be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail will be deemed given three Business Days after the time of mailing. Any change in the foregoing addresses will be effected by giving 15 days written notice of such change to the other parties. Business Day for the purpose of this Agreement means any day other than Saturday, Sunday, or national holidays in the U.S.

11. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will inure to the benefit of its respective Affiliates, successors, and assigns.The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ________________________________
W. Kent Taylor, Chairman and CEO

FRANCHISEE:

____

By: ________________________________
Name: ________________________________
Title: ________________________________

COVENANTOR:

By: ________________________________
Name: ________________________________
Title: ________________________________

By: ________________________________
Name: ________________________________
Title: ________________________________

By: ________________________________
Name: ________________________________
Title: ________________________________

Attachment E

SOFTWARE LICENSE AGREEMENT

This Software License Agreement ("**Software License**") is entered into between Texas Roadhouse Development Corporation, a Kentucky corporation ("**Franchisor**"), and ____________________ ("**Franchisee**"), pursuant to a Franchise Agreement dated ______________, 20__ ("**Franchise Agreement**") under which Franchisee will operate a full-service Bubba's 33 restaurant ("**Restaurant**") located at ______________________.

1. Franchisor hereby grants to Franchisee a nonexclusive, nonassignable license to use the computer programs, in object code form ("**Software**"), listed in the schedule to this Software License. The schedule may be updated from time to time by Franchisor to include enhancements, upgrades, or replacements ("**Enhancements**") to the Software, which Franchisor will make available to Franchisee from time to time at a reasonable cost.

2. Franchisee shall use the Software only in the operation of the Restaurant at the Location of the Restaurant indicated above. Franchisee may not modify, copy or reproduce in any form all or any part of the Software without the prior written consent of Franchisor, and in such event solely to the extent required for use of the Software in the operation of the Restaurant. Franchisee shall not make available the Software, the user and operating manuals thereto, or any copy thereof to any party except as described below in paragraph 4. Franchisee shall not reverse assemble, reverse compile or otherwise recreate the Software.

3. All copies of the Software, including any produced by Franchisee with Franchisor's consent, are and shall be the sole and exclusive property of Franchisor or authorized third parties during and after the term of this Software License. Franchisee acknowledges and agrees that Franchisor may secure all or any part of the Software from third parties. Franchisee agrees to execute and deliver to Franchisor any further contracts, agreements or other documents reasonably required by Franchisor in order to secure its compliance with any agreement with such other parties.

4. Franchisee understands and acknowledges that the Software contains Franchisor's trade secrets and agrees, during the term of this Software License and thereafter, not to communicate, divulge or use the Software other than in the operation of the Restaurant by Franchisee and its employees. Franchisee shall divulge and allow access to the Software only to its employees who must have access to it in connection with their employment in the Restaurant. At Franchisor's request, Franchisee shall require and obtain execution of covenants concerning the confidentiality of the Software from any persons employed by Franchisee who have access to the Software. These covenants shall be in a form substantially similar to the confidentiality covenants contained in Attachment D to the Franchise Agreement.

5. Franchisee shall exercise reasonable precautions, no less rigorous than those Franchisee uses to protect its own confidential information, to protect the confidentiality of the Software and the user and operating manuals thereto, which precautions shall include, at a minimum, giving instructions to Franchisee's employees who will have access to the Software and the user and operating manuals thereto that the same are proprietary to, and the trade secrets of, Franchisor or such third parties. Franchisee shall not remove or alter any designations that Franchisor or such third parties have included in the Software and the user and operating manuals thereto that indicate such material is the proprietary property of Franchisor or such third parties.

6. Franchisee agrees to notify Franchisor immediately of the existence of any unauthorized knowledge, possession or use of the Software or of any part thereof.

7. Franchisee acknowledges and agrees that the Software and user and operating manuals thereto are the valuable property and of Franchisor or other authorized parties, that any violation by Franchisee of the provisions of this Software License would cause Franchisor or such other parties irreparable injury for which they would have no adequate remedy at law, and that, in addition to any other remedies which Franchisor may have, it shall be entitled to preliminary and other injunctive relief against any such violation.

8. The term of this Software License shall be co-extensive with the term of the Franchise Agreement, including any renewal of the Franchise Agreement.

9. Expiration or termination of the Franchise Agreement for whatever reason shall automatically terminate this Software License and the right granted by it to use the Software, without notice to Franchisee. If Franchisor's license to any of the Software secured from third parties should terminate, then this Software License shall automatically terminate as to such Software and Franchisee shall comply with the provisions of Section 10. in connection with such Software. In addition, Franchisor may terminate this Software License upon the failure by Franchisee to comply with any of the terms and conditions herein, by giving Franchisee written notice of termination stating the nature of the breach at least 30 days prior to the effective date of termination; provided that Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the 30-day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within that time, or such longer period as applicable law may require, this Software License shall terminate without further notice to Franchisee effective immediately upon expiration of the 30-day period or such longer period as applicable law may require.

10. Upon the expiration or termination of this Software License or upon the expiration or termination of the Franchise Agreement, whichever shall occur earlier, Franchisee shall immediately deliver to Franchisor all copies of the Software then in Franchisee's possession or control and erase the Software from Franchisee's computer system, and shall immediately cease to use the Software.

11. Franchisor will replace without charge any copies of the Software provided under this Software License which have defects in materials and workmanship that are not caused by Franchisee's misuse or unauthorized modification of the Software. This replacement shall be Franchisee's sole and exclusive remedy as to the Software.

12. EXCEPT FOR THE LIMITED WARRANTY DESCRIBED ABOVE, THERE ARE NO WARRANTIES GRANTED TO FRANCHISEE OR ANY OTHER PERSON OR ENTITY FOR THE SOFTWARE, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE; ALL SUCH WARRANTIES ARE EXPRESSLY AND SPECIFICALLY DISCLAIMED.

13. FRANCHISEE IS SOLELY RESPONSIBLE FOR DETERMINING ITS DESIRED RESULTS FROM THE USE OF THE SOFTWARE, FOR EVALUATING THE SOFTWARE'S CAPABILITIES AND FOR SUCCESSFULLY OPERATING THE SOFTWARE. IN NO EVENT SHALL FRANCHISOR BE RESPONSIBLE FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES, OR FOR LOST DATA OR LOST PROFITS TO FRANCHISEE OR ANY OTHER PERSON OR ENTITY, WHETHER OR NOT DUE TO FRANCHISOR'S NEGLIGENCE, ARISING OUT OF THE USE OR INABILITY TO USE THE SOFTWARE, EVEN IF FRANCHISOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OCCURRING. IN THE EVENT THAT ANY OTHER TERM OF THIS SOFTWARE LICENSE IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISION OF WAIVER BY AGREEMENT OF DIRECT, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR OTHER DAMAGES OR FOR LOST DATA OR LOST PROFITS SHALL CONTINUE IN FULL FORCE AND EFFECT.

14. THIS SOFTWARE LICENSE SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE COMMONWEALTH OF KENTUCKY (EXCEPT FOR KENTUCKY CHOICE OF LAW RULES).

15. If any term herein is declared to be void or unenforceable by a court of competent jurisdiction, such declaration shall have no effect on the other terms of this Software License, which will remain in effect and fully enforceable.

16. Franchisee agrees to pay any sales, use, ad valorem, personal property and general intangibles tax and any registration fees arising out of this Software License and the transactions contemplated herein, except for any taxes imposed upon the gross income of Franchisor.

17. Franchisee may not sell, lease, assign, sublicense or otherwise transfer any of its rights under this Software License without the prior written consent of Franchisor.

18. Notice under this Software License shall be provided as indicated in Section 19. of the Franchise Agreement.

19. The terms of this Software License are incorporated into the Franchise Agreement by reference. This Software License and related provisions of the Franchise Agreement constitute the entire agreement of the parties with respect to the subject matter hereof, and supersede all related prior and contemporaneous agreements between the parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Software License on the _______ day of _________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ___________________________________
W. Kent Taylor, Chairman and CEO

FRANCHISEE:

____

By: ________________________________
Name: ________________________________
Title: ________________________________

SCHEDULE TO SOFTWARE LICENSE AGREEMENT

Software

Attachment F

ELECTRONIC DEBT AUTHORIZATION
Authorization Agreement for Direct Payments (ACH Debits)

Company Name:_______________________ Company ID Number:_________________________

I (we) hereby authorize ________________________, hereinafter called COMPANY, to initiate debit entries to my (our) □ Checking Account/ □ Savings Account (select one) indicated below at the depository financial institution named below, hereafter called DEPOSITORY, and to debit the same to such account. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

Depository Name:__________________________ Branch:__________________________________

City:_______________________ State:______________________ Zip:_________________

Routing Number:___________________________ Account Number:__________________________

This authorization is remain in full force and effect until COMPANY has received written notification from me (or either of us) or its termination in such time and in such manner as to afford COMPANY and DEPOSITOR a reasonable opportunity to act on it.

Name(s):____ ID Number:________________________
(Please Print)

Date:______________________________ Signature:_______________________________________

NOTE: DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE RECEIVER MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE ORIGINATOR IN THE MANNER SPECIFIED IN THE AUTHORIZATION

Attachment G

STATE SPECIFIC AMENDMENTS

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Corporations requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

c. The Agreement contains a covenant not to compete which extends beyond the expiration or termination of the franchise. This provision may not be enforceable under California law.

d. The Agreement requires application of the laws of Kentucky. This provision may not be enforceable under California law.

e. The Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ___________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

FRANCHISEE:

____

By: ______________________________________
Name
: ______________________________________
Title: ______________________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT
<u>FOR THE STATE OF ILLINOIS</u>

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>ILLINOIS LAW MODIFICATIONS</u>

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq.* To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to You concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.

c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.

d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, Illinois law governing claims arising under the Act will control.

2. Section XIX, "Miscellaneous" should be amended by the addition of the following as the last sentence of the section:

"However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act of 1987 at Section 705/41."

3. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ______________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ____________________________________
Name: ____________________________________
Title: ____________________________________

FRANCHISEE:

____

By: ______________________________________
Name
: ______________________________________
Title: ______________________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT
<u>FOR THE STATE MARYLAND</u>

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>MARYLAND LAW MODIFICATIONS</u>

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. §§ 14-201 to 14-233 (2010 Repl. Vol. and Supp. 2010) (the "Law"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

   a. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Law.

   b. Any acknowledgments or representations of the Franchisee made in the agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Law.

   c. A Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

   d. The limitation on the period of time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a Franchisee for bringing a claim arising under the Law. Any claims arising under the Law must be brought within 3 years after the grant of the franchise.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ____________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

FRANCHISEE:

____

By: _____________________________________
Name
:
Title: _____________________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80C.01 et seq., and the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement/and or Franchise Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14, Subds. 3, 4., and 5 requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Act's requirements and shall have no force or effect.

c. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgments shall be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a State other than the State of Minnesota or arbitration or mediation, those provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat § 80C.17, Subd. 5. may not be enforceable under Minnesota.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the franchise disclosure document or agreement can

abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for in that law.

3. The Agreement/and or Franchise Disclosure Document is hereby amended to delete all references to Liquidated Damages (as defined) in violation of Minnesota law; provided, that no such deletion shall excuse the franchisee from liability for actual or other damages and the formula for Liquidated Damages in the Agreement/and or Franchise Disclosure Document shall be admissible as evidence of actual damages.

4. To the extent required by Minnesota Law, the Agreement/and or Franchise Disclosure Document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement/and or Franchise Disclosure Document referencing Franchisor's <u>right to obtain</u> injunctive relief are hereby amended to refer to Franchisor's right to <u>seek to obtain</u>.

6. Each provision of this Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ____________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

FRANCHISEE:

____

By: ___________________________________
Name
: ___________________________________
Title: ___________________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION
FRANCHISE AGREEMENT
<u>FOR THE STATE NEW YORK</u>

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

<u>NEW YORK LAW MODIFICATIONS</u>

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. If the Agreement requires that it be governed by the law of a state, other than the State of New York, the choice of law provision shall not be considered to waive any rights conferred upon the Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision,

are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ____________________________
Name: ____________________________
Title: ____________________________

FRANCHISEE:

____

By: ____________________________
Name
: ____________________________
Title: ____________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

The Texas Roadhouse Franchise Agreement between ________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17 (1995). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Law, or a rule or order under the Law, such release shall exclude claims arising under the North Dakota Franchise Investment Law, and such acknowledgments shall be void with respect to claims under the Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota Law. If the Agreement contains a covenant not to compete which is inconsistent with North Dakota Law, the covenant may be unenforceable.

c. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void with respect to claims under the North Dakota Franchise Investment Law.

d. If the Agreement requires that it be governed by the law of a state, other than the State of North Dakota, to the extent that such law conflicts with North Dakota Law, North Dakota Law will control.

e. If the Agreement requires mediation or arbitration to be conducted in a forum other than the State of North Dakota, the requirement may be unenforceable under the North Dakota Franchise Investment Law. Arbitration involving a franchise purchased in the State of North Dakota must be held either in a location mutually agreed upon prior to the arbitration or if the parties cannot agree on a location, the location will be determined by the arbitrator.

f. If the Agreement requires payment of a termination penalty, the requirement may be unenforceable under the North Dakota Franchise Investment Law.

g. Any provision that provides that the parties waive their right to a jury trial may not be enforceable under North Dakota law.

h. Any provision that provides that the Franchisee consent to a waiver of punitive and exemplary damages may not be enforceable under North Dakota Law.

i. Any provision that requires the Franchisee to consent to a claims period that differs from the applicable statute of limitations period under North Dakota Law may not be enforceable under North Dakota Law.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ____________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

FRANCHISEE:

____

By: ______________________________
Name
: ______________________________
Title: ______________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT
<u>FOR THE STATE OF RHODE ISLAND</u>

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

RHODE ISLAND LAW MODIFICATIONS

1. The Rhode Island Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law, tit. 19 chap. 28.1 §§ 19-28.1-1 -19-28.1-34. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If this Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement is void with respect to any claims brought under Rhode Island Franchise Investment Act Sec. 19-28.1-14.

b. If this Agreement requires that it be governed by a state's law, other than the State of Rhode Island, to the extent that such law conflicts with Rhode Island Franchise Investment Act it is void under Section 19-28.1-14.

c. If the Franchisee is required in this Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Rhode Island Franchise Investment Act, and such acknowledgments shall be void with respect to claims under the Act.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Franchise Investment Act, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ____________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

FRANCHISEE:

____

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

AMENDMENT TO TEXAS ROADHOUSE DEVELOPMENT CORPORATION FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON

The Texas Roadhouse Franchise Agreement between _________________ ("Franchisee" or "You") and Texas Roadhouse Development Corporation ("Franchisor") dated ____________, 20__ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1994). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Washington Franchise Investment Protection Act provides rights to You concerning nonrenewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Washington Franchise Investment Protection Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law. Arbitration involving a franchise purchased in the State of Washington, must either be held in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

d. If the Agreement requires that it be governed by the law of a state, other than the State of Washington, and there is a conflict between the law and the Washington Franchise Investment Protection Act, the Washington Franchise Investment Protection Act will control.

e. Transfer fees are collectable to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met. IN WITNESS WHEREOF, the Franchisee on behalf of itself and its owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. The parties have duly executed and delivered this Amendment to the Agreement on ____________________, 20___.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky corporation

By: ________________________________
Name: ________________________________
Title: ________________________________

FRANCHISEE:

____

By: ________________________________
Name: ________________________________
Title: ________________________________

EXHIBIT C

CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is entered into this _____ day of_______, 20__, by and among _________________, a ______________corporation, ________ and ______________ (collectively, "**Interested Party**") and Texas Roadhouse Development Corporation, a Kentucky corporation ("**TRDC**"), with reference to the following facts:

WHEREAS, TRDC operates a system of full-service restaurants featuring a specialized menu of hand-tossed pizza, fresh-ground burgers and related food items, and full bar service; and

WHEREAS, Interested Party is considering the acquisition of a franchise from TRDC; and

WHEREAS, TRDC desires to permit Interested Party access to certain confidential and proprietary information, know-how and documents related to the business of TRDC which will help Interested Party in connection with its evaluation of the franchise.

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Definition**. The term "**Confidential Information**" means information, oral or written, know-how and documents, including, without limitation, TRDC Confidential Operating Manuals, relating to TRDC or its affiliates, furnished by TRDC, or the representatives of TRDC, to the Interested Party or its affiliates or representatives, but does not include information which Interested Party can establish **(i)** is or becomes generally available to the public other than as a result of disclosure by the Interested Party, or **(ii)** becomes available to the Interested Party from a source other than TRDC or the representatives of TRDC, provided that such source is not and was not bound by a confidentiality agreement with TRDC. Confidential Information includes, but is not limited to, any analysis or study prepared by or for the Interested Party or its representatives which to any extent is based on Confidential Information.

2. **Confidentiality Agreement**. Interested Party acknowledges that TRDC desires to maintain the confidentiality of the Confidential Information and is making it available to the Interested Party only for the limited purpose of investigating the franchise. Interested Party further acknowledges and agrees that the Confidential Information is proprietary to and a valuable trade secret of TRDC and that any disclosure or unauthorized use thereof shall cause irreparable loss and harm to TRDC. In consideration of the opportunity to obtain access to the Confidential Information, the Interested Party hereby agrees as follows:

2.1. not to use the Confidential Information for its own use or for any other purpose except to carry out its investigation of the franchise and not to disclose the Confidential Information, except **(a)** as may be required by law, or **(b)** to employees, outside counsel, accountants, and other representatives or affiliates of the Interested Party who need to know such information for the purpose of investigating the franchise. In the event Interested Party or any persons to whom it discloses the Confidential Information become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, Interested Party shall provide TRDC with prompt prior written notice of such requirement so that TRDC may seek a protective order or other appropriate remedy and/or waive compliance with the terms hereof. In the event that such protective order or other remedy is not obtained, or that TRDC waives compliance with provisions hereof, Interested Party agrees to furnish only that portion of the Confidential Information which Interested Party is advised by written opinion of counsel is legally required and exercise best efforts to obtain assurance that confidential treatment will be accorded such Confidential Information.

2.2. to ensure that all employees, outside counsel, accountants, and other representatives and affiliates of the Interested Party who are given access to the Confidential Information on behalf of the Interested Party will be bound by, and will conduct their investigation in accordance with the terms of this

Agreement. Interested Party shall be fully responsible for any breach of this Agreement by any person to whom access to the Confidential Information is given by the Interested Party or its representatives;

2.3. not to make copies of the Confidential Information; and

2.4. if Interested Party does not enter into a franchise relationship with TRDC, or upon request by TRDC, to promptly return to TRDC all Confidential Information and all copies thereof.

3. **Absence of Representations or Warranties**. Interested Party understands and acknowledges that TRDC is not making any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information, and neither TRDC nor any of its officers, directors, employees, agents, or affiliates will have any liability to Interested Party or any other person resulting from Interested Party's use of Confidential Information. Only those representations and warranties, if any, that are made to Interested Party in any franchise documents when, as, and if executed, and subject to such limitations and restrictions as may be specified in such franchise documents, will have any legal effect.

4. **Ownership**. Interested Party acknowledges that the Confidential Information is solely owned by TRDC and that this Agreement shall not grant to Interested Party any rights in or to the Confidential Information except the limited right to use the Confidential Information to investigate the franchise.

5. **Remedies**. Interested Party agrees that its obligations hereunder are necessary and reasonable in order to protect TRDC and expressly agrees that monetary damages would be inadequate to compensate Texas Roadhouse for any breach of any covenant or agreement set forth herein. Accordingly, Interested Party agrees and acknowledges that any such violation or threatened violation will cause irreparable injury to Texas Roadhouse and that, in addition to any other remedies that may be available, in law, in equity or otherwise, Texas Roadhouse shall be entitled to obtain injunctive relief and specific performance against Interested Party for the threatened breach of this Agreement or the continuation of any such breach, without proof of actual damages.

6. **Successors and Assigns**. This Agreement shall be binding upon and inure to the benefit of the undersigned parties, their successors and assigns; provided however that the Confidential Information shall not be assigned without the prior written consent of Texas Roadhouse.

7. **Amendments and Waiver**. This Agreement may be amended only in writing executed by the parties hereto. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES. Failure to enforce any provision of this Agreement in one or more instances will not constitute a waiver of any term hereof.

8. **Governing Law**. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance, and remedies.

9. **Jurisdiction, Venue, and Waiver of Jury Trial**. ANY SUIT, ACTION, OR PROCEEDING WITH RESPECT TO THIS AGREEMENT SHALL BE BROUGHT EXCLUSIVELY IN THE STATE COURTS OF THE COMMONWEALTH OF KENTUCKY, COUNTY OF JEFFERSON, OR IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY. FOR THE PURPOSES OF SUCH EXCLUSIVE JURISDICTION, THE PARTIES HEREBY IRREVOCABLY WAIVE ANY OBJECTIONS WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE JURISDICTION OR VENUE OF ANY SUIT, ACTION, OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT BROUGHT IN SUCH COURTS AND HEREBY FURTHER IRREVOCABLY WAIVE ANY CLAIM THAT SUCH SUIT, ACTION, OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. **THE PARTIES HEREBY FURTHER IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY**

ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER AGREEMENTS BETWEEN THEM OR THEIR RESPECTIVE AFFILIATES.

IN WITNESS WHEREOF, the undersigned parties have executed and delivered this Confidentiality Agreement to be effective as of the day and year first above mentioned.

INTERESTED PARTY

____,
a ___________________ corporation

By: __________________________________
Name: ___________________________
Title: ___________________________

____
(Signature)

____
(Typed Name

____
(Signature)

____
(Typed Name)

TEXAS ROADHOUSE

Texas Roadhouse Development Corporation
a Kentucky corporation

By: __________________________________
W. Kent Taylor, Chairman

EXHIBIT D
LIST OF CURRENT FRANCHISEES AND FORMER FRANCHISEES

LIST OF CURRENT FRANCHISEES
AS OF DECEMBER 29, 2015

None.

Exhibit E

LIST OF FORMER FRANCHISEES
FOR FISCAL YEAR ENDING DECEMBER 29, 2015

None.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Exhibit E

EXHIBIT E

STATE ADMINISTRATORS

Exhibit E

STATE ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013
(213) 576-7500 or (866) 275-2677

HAWAII
Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS
Chief, Franchise Division
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA
Indiana Securities Commissioner
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

KENTUCKY
Office of Attorney General
1024 Capital Center Drive
Frankfort, KY 40602

MARYLAND
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN
Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
525 West Ottawa Street
G Mennen Williams Bldg, 1st Fl.
Lansing, Michigan 48933

MINNESOTA
Franchise Examiner
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

NEBRASKA
Nebraska Department of Banking and Finance
Commerce Court
1200 N. Street
P.O. Box 95006
Lincoln, Nebraska 68509-5006

NEW YORK
Special Deputy Attorney General
New York Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271

NORTH DAKOTA
Franchise Examiner
North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON
Director
Department of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND
Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex, Building 69-1
Providence, Rhode Island 02903-4232

SOUTH DAKOTA
Franchise Administrator
South Dakota Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

TEXAS
Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

UTAH
Department of Commerce
Division of Consumer Protection
160 East 300 South
Salt Lake City, UT 84114

VIRGINIA
State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

WASHINGTON
Washington State Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN
Franchise Administrator
State of Wisconsin Department of Financial Institutions
Division of Securities
201 W. Washington Avenue
Suite 300
Madison, Wisconsin 53703

EXHIBIT F

AGENTS FOR SERVICE OF PROCESS

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA
Commissioner
Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013

HAWAII
Business Registration Division
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA
Indiana Secretary of State
201 State House
200 West Washington
Indianapolis, Indiana 46204

KENTUCKY
W. Kent Taylor
6040 Dutchmans Lane
Louisville, Kentucky 40205

MARYLAND
Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN
Department of the
Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
525 West Ottawa Street
G Mennen Williams Bldg, 1st Fl.
Lansing, Michigan 48933

MINNESOTA
Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

NEW YORK
Secretary of State of the State of New York
41 State Street
Albany, New York 12231

NORTH DAKOTA
Securities Commissioner
North Dakota Securities Department
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505

OREGON
Director, Dept. of Consumer and
Business Services
Division of Finance and
Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND
Director, Dept. of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex, Building 69-1
Cranston, Rhode Island 02920

SOUTH DAKOTA
Department of Labor and Regulation
Division of Securities
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

UTAH
Department of Commerce
160 East 300 South
Salt Lake City, UT 84114

VIRGINIA
Clerk of the State
Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

WASHINGTON
Director
Washington State Department of Financial Institutions
Securities Division
150 Israel Road, SW
Tumwater, Washington 98501

WISCONSIN
Commissioner of Securities
State of Wisconsin Department of Financial Institutions
201 West Washington Ave.
Suite 300
Madison, Wisconsin 53703

EXHIBIT G

CURRENT SAMPLE FORM OF GENERAL RELEASE

Exhibit G

FORM OF GENERAL RELEASE

[Current Form for Transfers and Renewals]

1. **Release of Claims**. Franchisee and its Owners and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively, "**Franchisee Related Parties**") irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates, and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors, and assigns and all persons acting by, through, under or in concert with any of them (collectively, "**Releasees**"), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, ("**Claim**" or "**Claims**"), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon, or related to the Franchise Agreement, but excluding claims based on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative in connection with the offer of the Franchise Agreement, subject to agreed-upon changes to the contract terms described in that Franchise Disclosure Document and reflected in the Franchise Agreement (including any riders or addenda signed at the same time as the Franchise Agreement).

   [For California franchisees, add: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.]

2. **Unknown Claims**.

   (a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur, or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

   (b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1. above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.

3. **Covenant Not to Sue**. Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring, allow to be brought on behalf of itself or any Franchisee Related Party, or participate in any action, cause of action, suit, or other proceeding of any kind, which has accrued

or which may ever accrue, whether based in the Constitution, common law, or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.

4. **No Assignment of Claims**. Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1 of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

5. **Full and Independent Knowledge**. Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement, and that it has carefully read and understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by Franchisor, any of the Releasees, or any of their representatives with regard to the subject matter, basis, or effect of this Agreement.

6. **Compromise**. Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and will never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.

7. **General Provisions**.

   (a) Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof will amend, supersede, or replace any of the terms or conditions set forth herein.

   (b) Authority. By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.

   (c) Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

   (d) Survival. All covenants, representations, warranties, and agreements of the parties will survive execution and delivery of this Agreement and will continue until such time as all the obligations of the parties hereto have lapsed in accordance with their respective terms or have been discharged in full.

   (e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

   (f) Complete Defense. Franchisee acknowledges that this Agreement will be a complete defense to any claim released under the terms of Section 1. of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

(g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

FRANCHISOR:

Texas Roadhouse Development Corporation,
a Kentucky Corporation

By: ____________________________________
Name: ____________________________________
Title: ____________________________________
Date: ____________________________________

FRANCHISEE:

____

By: ____________________________________
Name: ____________________________________
Title: ____________________________________
Date: ____________________________________

OWNERS:

____
Date: ____________________________________

____
Date: ____________________________________

[See Additional Note:

1. Add signature blocks for any additional parties identified pursuant to Section 1.]

EXHIBIT H

RECEIPTS

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement, other related agreements and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Texas Roadhouse Development Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Texas Roadhouse Development Corporation does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal and state law which may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20590 or the appropriate state agency listed in Exhibit E.

The name and address of our registered agents authorized to receive service of process is shown in Exhibit F.

The name, principal business address, and telephone number of each franchise seller offering the franchise follow:

Name	Principal Business Address	Telephone Number
Scott Colosi	6040 Dutchmans Lane Louisville, Kentucky 40205	502-426-9984

Issuance Date: August 26, 2016

I have received a Franchise Disclosure Document dated ______________. See State registration effective dates on the State Registrations page. This Disclosure Document includes the following Exhibits:

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement and Applicable State Amendments
Exhibit C	Confidentiality Agreement
Exhibit D	List of Current and Former Franchisees
Exhibit E	State Administrators
Exhibit F	Agents For Service of Process
Exhibit G	Current Sample Form of General Release
Exhibit H	Receipts

Dated: ____________________

____
Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

____
Printed Name

of ____
(a ____________________________________Corporation)
(a ____________________________________ Partnership)
(a ______________________________ Limited Liability Company)

[Keep this page for your records]

RECEIPT

This Disclosure Document summarizes provisions of the Franchise Agreement, other related agreements and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Texas Roadhouse Development Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Connecticut and Michigan require us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa and Maine require us to provide you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Texas Roadhouse Development Corporation does not deliver this Disclosure Document on time, or if it contains a false or misleading statement, or a material omission, a violation of federal and state law which may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20590 or the appropriate state agency listed in Exhibit E.

The name and address of our registered agents authorized to receive service of process is shown in Exhibit F.

The name, principal business address, and telephone number of each franchise seller offering the franchise follow:

Name	Principal Business Address	Telephone Number
Scott Colosi	6040 Dutchmans Lane, Louisville, Kentucky 40205	502-426-9984

Issuance Date: August 26, 2016

I have received a Franchise Disclosure Document dated ______________. See State registration effective dates on the State Registrations page. This Disclosure Document includes the following Exhibits:

Exhibit A	Financial Statements
Exhibit B	Franchise Agreement and Applicable State Amendments
Exhibit C	Confidentiality Agreement
Exhibit D	List of Current and Former Franchisees
Exhibit E	State Administrators
Exhibit F	Agents For Service of Process
Exhibit G	Current Sample Form of General Release
Exhibit H	Receipts

Dated: ___________________

____
Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

____
Printed Name

of ____
(a ____Corporation)
(a ____ Partnership)
(a ______________________________ Limited Liability Company)

[Sign and return this page to us]