

KATY INDUSTRIES INC
Form 10-Q
August 11, 2014

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 27, 2014

Or

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

For the transition period from _____ to _____

Commission File Number 001-05558

Katy Industries, Inc.
(Exact name of registrant as specified in its charter)

Delaware 75-1277589
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

305 Rock Industrial Park Drive, Bridgeton, Missouri 63044
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (314) 656-4321

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at July 25, 2014
Common Stock, \$1 Par Value	7,951,176 Shares

KATY INDUSTRIES, INC.
 FORM 10-Q
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IndexPART I FINANCIAL INFORMATIONItem 1. Financial Statements

KATY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS OF JUNE 27, 2014 (UNAUDITED) AND DECEMBER 31, 2013
 (Amounts in Thousands)

ASSETS

	June 27, 2014	December 31, 2013
CURRENT ASSETS:		
Cash	\$512	\$ 708
Accounts receivable, net	12,752	7,206
Inventories, net	12,336	10,004
Other current assets	2,042	663
Assets held for sale	21	74
Total current assets	27,663	18,655
OTHER ASSETS:		
Goodwill	2,788	-
Intangibles, Net	4,005	-
Other	1,869	1,375
Total other assets	8,662	1,375
PROPERTY AND EQUIPMENT		
Land and improvements	535	251
Buildings and improvements	6,175	3,080
Machinery and equipment	53,483	52,164
	60,193	55,495
Less - Accumulated depreciation	(49,620)	(48,533)
Property and equipment, net	10,573	6,962
Total assets	\$46,898	\$ 26,992

See Notes to Condensed Consolidated Financial Statements.

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KATY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS OF JUNE 27, 2014 (UNAUDITED) AND DECEMBER 31, 2013
 (Amounts in Thousands, Except Share Data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 27, 2014	December 31, 2013
CURRENT LIABILITIES:		
Accounts payable	\$8,408	\$5,983
Book overdraft	328	264
Accrued compensation	1,225	1,411
Accrued expenses	7,926	7,062
Payable to related party	3,400	2,750
Deferred revenue	186	186
Revolving credit agreement	22,237	7,706
Total current liabilities	43,710	25,362
DEFERRED REVENUE	227	316
OTHER LIABILITIES	3,765	3,794
Total liabilities	47,702	29,472
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY (DEFICIT)		
15% Convertible preferred stock, \$100 par value; authorized 1,200,000 shares; issued and outstanding 1,131,551 shares; liquidation value \$113,155	108,256	108,256
Common stock, \$1 par value; authorized 35,000,000 shares; issued 9,822,304 shares	9,822	9,822
Additional paid-in capital	27,110	27,110
Accumulated other comprehensive loss	(880)	(848)
Accumulated deficit	(123,675)	(125,383)
Treasury stock, at cost, 1,871,128 shares	(21,437)	(21,437)
Total stockholders' equity (deficit)	(804)	(2,480)
Total liabilities and stockholders' equity	\$46,898	\$26,992

See Notes to Condensed Consolidated Financial Statements.

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KATY INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED JUNE 27, 2014 AND JUNE 28, 2013

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended		Six Months Ended		
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013	
Net sales	\$ 25,608	\$20,804	\$45,534	\$38,965	128,544 —
John Mountford	33,136	—	62,250	124,500	—

Performance-Based Bonus

In line with our strategy of rewarding performance, our executive compensation program includes performance-based bonuses to named executive officers under our Senior Management Incentive Plan or our cash bonus plan. Our compensation committee establishes annual target performance-based bonuses for each named executive officer during the first quarter of the year.

The target and maximum performance-based bonuses have been set at levels our compensation committee believes will provide a meaningful incentive to achieve company and individual goals and contribute to our financial performance. In 2018, the target and maximum performance-based bonus were set at 50% and 100%, respectively, of annual base salary for our Chief Executive Officer and Chief Financial Officer and 30% and 60%, respectively, of annual base salary for our other named executive officers. No bonus is paid if actual Company Adjusted EBITDA is 90% or less of budget Company Adjusted EBITDA. To the extent that actual Company Adjusted EBITDA exceeds 90% of budget Company Adjusted EBITDA, the plan provides that we will pay a bonus based on where performance falls on a linear basis between 90% and 100% of budget Company Adjusted EBITDA and between 100% and 110% of budget Company Adjusted EBITDA. In each circumstance, the compensation committee retains discretion to adjust the amount paid under the plan based on individual and company circumstances. If our budgeted Company Adjusted EBITDA is achieved, each individual will earn 100% of their target bonus.

This performance bonus is determined based primarily on the extent to which we achieve our budget Company Adjusted EBITDA goal. Company Adjusted EBITDA is our earnings before interest, taxes, depreciation and amortization plus any loss on sales of asset (less any gain on a sale of assets) and excludes stock-based compensation and certain non-cash and other adjustments. For each 1.0% that actual Company Adjusted EBITDA is above or below budget Company Adjusted EBITDA, the percentage of the target they receive will increase or decrease by 10%, respectively, of the Company Adjusted EBITDA portion of their target bonus. For example, if actual Company Adjusted EBITDA is 1% above budget Company Adjusted EBITDA, the named executive officers will receive 1.1 times their target bonus. The maximum a named executive officer may receive for Company Adjusted EBITDA performance is 2.0 times their target bonus. We use our Company Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as revenue, net income and cash flows from operations, to assess our historical and prospective operating performance and to enhance our understanding of our core operating performance. We also use our Company Adjusted EBITDA internally to evaluate the performance of our personnel and also as a benchmark to evaluate our operating performance or compare our performance to that of our competitors. The use of Company Adjusted EBITDA as a performance measure permits a comparative assessment of our operating performance relative to our performance based on our GAAP results, while isolating the effects of some items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies.

Target, maximum and actual performance-based bonuses for 2018 for each of the named executive officers are shown in the table above and the actual paid performance-based bonus is shown in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table. For fiscal year 2018, no performance-based bonuses were paid because our actual Company Adjusted EBITDA was less than 90% of our budget Company Adjusted EBITDA.

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Discretionary Bonus

The compensation committee retains discretion to grant bonus compensation to the named executive officers and other employees of the Company for their contributions to the Company's performance. Historically, each of our named executive officers has received a \$1,000 holiday bonus each December. In 2018, the compensation committee awarded additional discretionary bonuses to the named executive officers for their contributions to the Company. These bonuses are set forth in the "Bonus" column of the Summary Compensation Table.

Equity Compensation

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

Historically, we have granted equity awards to our named executive officers in conjunction with significant transactions and in connection with a named executive officer's initial hire or promotion. Additionally, we have granted equity awards to our named executive officers annually to further align the interests of our executives with those of our stockholders. For information regarding the number and grant date fair value of deferred shares (referred to herein as restricted stock units) granted to our named executive officers during fiscal year 2018, see "—Grants of Plan Based Awards" below.

We have provided this equity compensation to reward performance as well as to promote retention through delayed vesting. However, we believe that by weighting total compensation in favor of performance-based and discretionary bonuses, we have appropriately rewarded individual achievement while at the same time providing incentives to promote Company performance. In addition to stock options and restricted stock units, the 2012 Omnibus Equity Incentive Plan (the "2012 Plan") provides for the issuance of share appreciation rights, restricted shares, performance shares and other share based awards. In the future, we may consider granting other forms of equity to our named executive officers. For additional information regarding our 2012 Plan, see below under the heading "—2012 Omnibus Equity Incentive Plan."

We will make future grants of equity awards to the current named executive officers and other employees under the 2012 Plan. The compensation committee may grant stock options, restricted stock units or a combination of both. We also make grants of equity awards to our named executive officers and other employees because we believe that we should provide our employees an opportunity to share in our success provided they continue to contribute to our success.

Restricted stock units held by each of the named executive officers (and certain of our other salaried employees) vest ratably over a period of four years, subject to the applicable named executive officer remaining employed through each vesting date.

Perquisites

In 2018, the aggregate incremental cost to us of the perquisites received by each of the named executive officers did not exceed \$10,000 and, accordingly, this benefit is not included in the Summary Compensation Table below. We provide the named executive officers with complimentary dining privileges at our restaurants. We view complimentary dining privileges as a meaningful benefit to our named executive officers as it is important for named executive officers to experience our products and services in order to better perform their duties for us.

General Benefits

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

The following are standard benefits offered to all of our eligible employees, including the named executive officers. Retirement Benefits. We maintain a tax-qualified 401(k) savings plan ("401(k) Plan") and a nonqualified deferred compensation plan. Under the 401(k) Plan, employees are eligible after one year of service and may defer up to the maximum amount allowable by the IRS. The Company also provides a certain group of eligible employees, including our named executive employees, the ability to participate in the Company's nonqualified deferred compensation plan. This plan allows participants to defer up to 80% of their salary and up to 100% of their bonus, on a pre-tax basis. The Company has discretion to make additional matching contributions to both plans. For more information on the

nonqualified deferred compensation plan, see "Nonqualified Deferred Compensation" below.

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

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

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

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Employment Agreements

We entered into new employment agreements with each of Messrs. Hislop, Howie, Mountford and Hatcher on March 11, 2019. The employment agreements do not have a fixed term.

The employment agreements provide that Messrs. Hislop, Howie, Mountford and Hatcher will receive an annual base salary of at least \$649,750, \$400,000, \$207,500 and \$220,000, respectively. Messrs. Hislop, Howie and Mountford are each eligible pursuant to their employment agreements to receive a target annual bonus of 50% of their annual base salary, based upon the achievement of performance objectives determined by our compensation committee with a minimum and maximum bonus of 0% and 100% of their annual base salary. Mr. Hatcher is eligible pursuant to his employment agreement to receive a target annual bonus of 30% of his annual base salary, based upon the achievement of performance objectives determined by our compensation committee with a minimum and maximum bonus of 0% and 60% of his annual base salary. Additionally, Messrs. Hislop, Howie, Mountford and Hatcher are eligible pursuant to their employment agreements to receive a targeted annual equity award equal to 50% of their base salary, as determined and authorized from time to time by the compensation committee and subject to the terms and conditions of the 2012 Plan or any successor plan and any award agreements governing the grant of equity awards. The employment agreements also provide that each executive will be eligible to participate in our employee plans, including any health, disability or group life insurance plans or any retirement or non-qualified deferred compensation plans that are generally made available to our other senior executives and will be entitled to four weeks paid vacation per calendar year to be taken in accordance with our vacation policy.

Each employment agreement provides for severance benefits if the executive's employment is terminated without cause (as defined in the employment agreements) or by the executive for good reason (as defined in the employment agreements), subject to the executive's compliance with certain assignment of invention, confidentiality, non-compete, non-solicitation and non-disparagement obligations and the execution of a general release of claims. In the event Mr. Hislop's employment is terminated without cause or by him for good reason, he is entitled to continue to receive his base salary for two years following the termination of his employment and an amount equal to his target annual bonus for the year his employment was terminated. In the event the employment of Messrs. Howie, Mountford and Hatcher is terminated without cause or by the executive for good reason, each is entitled to continue to receive one year's base salary following his termination and an amount equal to his target annual bonus for the year his employment was terminated. Additionally, in the event the employment of Messrs. Hislop, Howie, Mountford and Hatcher is terminated without cause or by the executive for good reason, each is entitled to continue to receive the amount that we were subsidizing for the executive and his or her dependents' medical and dental insurance coverage during the same period the executive is entitled to continue to receive his base salary after his termination.

The employment agreements also provide that if (1) the employment of Messrs. Hislop, Howie, Mountford or Hatcher is terminated on account of the executive's death or disability (as defined in the employment agreements) or (2) the executive's employment is terminated without cause or by the executive for good reason, in each case, on or during the 24 month period after a change in control (as defined in the Equity Plan), subject to the executive's compliance with certain assignment of invention, confidentiality, non-compete, non-solicitation and non-disparagement obligations and the execution of a general release of claims, then any unvested or unexercisable portion of any award granted to the executive under the Equity Plan shall become fully vested or exercisable.

We had previously entered into employment agreements with Messrs. Hislop, Howie and Hatcher. The previous employment agreements did not provide for fixed terms.

The previous employment agreements provided that Messrs. Hislop, Howie and Hatcher would receive an annual base salary of at least \$366,608, \$250,000 and \$149,205, respectively. Mr. Hislop and Mr. Howie were each eligible to receive a target annual bonus of 50% of their annual base salary, based upon the achievement of goals and objectives determined by our compensation committee with a minimum and maximum bonus of 0% and 100% of their annual base salary, respectively. Mr. Hatcher was eligible to receive a target annual bonus of 30% of his annual base salary, based upon the achievement of goals and objectives determined by our compensation committee with a minimum and maximum bonus of 0% and 60% of his annual base salary. The previous employment agreements provided that each executive would be eligible to participate in employee plans, including 401(k), medical and dental plans, made available to our other senior executives generally.

The previous employment agreements provided for severance benefits if an executive's employment was terminated without cause (as defined in the employment agreement), subject to the executive's compliance with certain confidentiality, non-compete, non-solicitation and non-disparagement obligations and the execution of a general release of claims. In the event Mr. Hislop's employment was terminated without cause, he was entitled to continue to receive his base salary for two years following the termination of his employment. In the event Mr. Howie or Mr. Hatcher was terminated without cause, each was entitled to continue to receive one year's base salary following his termination. In the event of termination, all of our executive officers were entitled to continue to receive the amount that the Company was subsidizing for the executive and his dependents' medical and dental insurance coverage during the same period the executive was entitled to continue to receive his base salary after his termination.

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

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code (the "Code") generally limits the tax deductibility of compensation we pay to our executive officers to \$1.0 million in the year the compensation becomes taxable to the executive officers. Historically, there was an exception to the limit on deductibility for "performance-based compensation" that meets certain requirements under Section 162(m) of the Code, but this exception has now been repealed, effective for taxable years beginning after December 31, 2017, unless transition relief for certain compensation arrangements in place as of November 2, 2017 is available. In addition, effective for taxable years beginning after December 31, 2017, the group of executive officers whose compensation is subject to Section 162(m) limitation on deductibility was expanded to include the chief financial officer. As a result, compensation paid to our executive officers in excess of \$1.0 million may not be deductible unless it is "performance-based compensation" that qualifies for certain transition relief. Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. Rather, we seek to maintain flexibility in how we compensate our executive officers so as to meet a broader set of corporate and strategic goals and the needs of stockholders, and as such, we may be limited in our ability to deduct the full amount of such compensation.

Accounting rules require us to expense the cost of our stock option and restricted stock unit awards. Because of option and restricted stock unit expensing and the impact of dilution on our stockholders, we pay close attention to, among other factors, the type of equity awards we grant and the number and value of the shares underlying such awards.

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on that review and discussion, the compensation committee recommended to the board of directors of the Company that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the year ended December 30, 2018 and this Form 10-K/A.

This report is submitted by the members of the compensation committee of the board named below, who received, discussed with management and recommended that this Compensation Discussion and Analysis be included in the Company's Annual Report for the year ended December 30, 2018 and this Form 10-K/A.

Members of the Compensation Committee

Randall M. DeWitt Saed Mohseni Ira Zecher

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Summary Compensation Table

NAME & PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	STOCK AWARDS (\$)(1)	OPTION AWARDS (\$)(1)	NON-EQUITY	ALL OTHER COMPENSATION (\$)(2)	TOTAL COMPENSATION (\$)
						INCENTIVE PLAN COMPENSATION (\$)		
Steve Hislop	2018	649,750	57,370	649,747	—	—	4,518	1,361,385
President and Chief Executive Officer	2017	630,823	1,000	630,807	—	—	—	1,262,630
	2016	606,561	1,000	454,920	—	365,648	—	1,428,129
Jon Howie	2018	395,000	57,370	2,116,678	—	—	2,740	2,571,788
Vice President and Chief Financial Officer	2017	314,962	1,000	236,220	—	—	—	552,182
	2016	302,848	1,000	227,132	—	182,564	—	713,544
Michael Hatcher	2018	214,240	32,231	107,118	—	—	3,109	356,698
Vice President of Real Estate and Development	2017	208,000	1,000	103,974	—	—	—	312,974
	2016	200,000	1,000	99,988	—	72,339	—	373,327
John Mountford	2018	207,500	33,136	78,745	—	—	1,297	320,678
Chief Operating Officer ⁽³⁾								

Represents the aggregate grant date fair value, calculated in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, for awards of options and restricted stock units. See Note 12 to our consolidated financial statements included in the Original Form 10-K for information regarding the assumptions made in determining these values.

(2) All other compensation for fiscal year 2018 includes the following:

NAME	COMPANY CONTRIBUTIONS TO 401(K) PLAN (\$)	COMPANY CONTRIBUTIONS TO NONQUALIFIED DEFERRED COMPENSATION PLAN (\$)	ALL OTHER TOTAL COMPENSATION (\$)
		TO NONQUALIFIED DEFERRED COMPENSATION PLAN (\$)	TOTAL COMPENSATION (\$)
Steve Hislop	—	4,518	4,518
Jon Howie	—	2,740	2,740
Michael Hatcher	1,606	1,503	3,109
John Mountford	—	1,297	1,297

(3) Effective September 11, 2018, the Board of Directors appointed John Mountford as the Company's Chief Operating Officer.

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Grants of Plan-Based Awards

NAME	COMMITTEE ACTION DATE	GRANT DATE	ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS (1)		ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS (#) (2)	GRANT DATE FAIR VALUE OF STOCK OPTION AWARDS (\$) (3)
			THRESHOLD (\$)	MAXIMUM (\$)		
Steve Hislop	3/1/2018	3/15/2018	-324,875	649,750	25,282	649,747
Jon Howie	3/1/2018	3/15/2018	-197,500	395,000	82,361	2,116,678
Michael Hatcher	3/1/2018	3/15/2018	-64,272	128,544	4,168	107,118
John Mountford	3/1/2018	3/15/2018	-62,250	124,500	3,064	78,745

(1) Awards are made under our cash bonus plan.

(2) Awards are made under our 2012 Plan.

Represents the aggregate grant date fair value, calculated in accordance with FASB ASC Topic 718, for awards of (3) restricted stock units. See Note 12 to our consolidated financial statements for a discussion of the calculations of grant date fair value.

2012 Omnibus Equity Incentive Plan

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

Summary of 2012 Plan Terms

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

The 2012 Plan is administered by our compensation committee (the "Plan Administrator"). The Plan Administrator may construe and interpret the 2012 Plan and may adopt, alter and repeal rules and make all other determinations necessary or desirable to administer the 2012 Plan.

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

We may issue stock options under the 2012 Plan. All stock options granted under the 2012 Plan are intended to be non-qualified stock options and are not intended to qualify as incentive stock options within the meaning of Section 422 of the Code. The option exercise price of all stock options granted under the 2012 Plan will be determined by the Plan Administrator, but in no event will the exercise price be less than 100% of the fair market value of the common stock on the date of grant. The term of all stock options granted under the 2012 Plan will be determined by the Plan Administrator, but may not exceed ten years from the date of grant.

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Each stock option will be exercisable at such time and subject to such terms and conditions as determined by the Plan Administrator in the applicable stock option agreement. Other than equitable adjustments made in connection to a change in capitalization, under no circumstances will an exercise price be reduced following the date of the grant of an option, nor will an option be cancelled in exchange for a replacement option with a lower exercise price without stockholder approval.

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

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

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

In the case of awards subject to performance goals, such goal may be based on one or more of the following criteria: (a) earnings, including one or more of operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, adjusted EBITDA, economic earnings, or extraordinary or special items or book value per share (which may exclude nonrecurring items); (b) pre-tax income or after-tax income; (c) earnings per share (basic or diluted); (d) operating profit; (e) revenue, revenue growth or rate of revenue growth; (f) return on assets (gross or net), return on investment, return on capital, or return on equity; (g) returns on sales or revenues; (h) operating expenses; (i) share price appreciation; (j) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (k) implementation or completion of critical projects or processes; (l) cumulative earnings per share growth; (m) operating margin or profit margin; (n) cost targets, reductions and savings, productivity and efficiencies; (o) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation, information technology, and goals relating to acquisitions, divestitures, joint ventures and similar transactions, and budget comparisons; (p) personal professional objectives, including any of the foregoing performance goals, the implementation of policies and plans, the negotiation of

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transactions, the development of long term business goals, formation of joint ventures, research or development collaborations, and the completion of other corporate transactions; and (q) any combination of, or a specified increase in, any of the foregoing. Where applicable, a performance goal may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the company or a company affiliate, or a division or strategic business unit of the company, or may be applied to the performance of the company relative to a market index, a group of other companies or a combination thereof, all as determined by the Administrator. The performance goals may include a threshold level of performance below which no payment may be made (or no vesting may occur), levels of performance at which specified payments may be made (or specified vesting may occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting may occur). Each of the foregoing performance goals will determine in accordance with generally accepted accounting principles, as applicable, and may be subject to certification by the committee; provided, that the committee shall have the authority to make equitable adjustments to the performance goals, to the extent permitted under Section 162(m) of the Code, if applicable, in recognition of unusual or non-recurring events affecting the company or any company affiliate thereof or the financial statements of the company or any company affiliate thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles.

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

Unless otherwise determined by the Plan Administrator and evidenced in an award agreement, in the event that a change in control occurs and a participant's employment or service is terminated without cause on or after the effective date of the change in control but prior to 24 months following the change in control, then any unvested or unexercisable portion of any award carrying a right to exercise shall become fully vested and exercisable, and the restrictions, deferral limitations, payment conditions and forfeiture conditions applicable to an award granted under the 2012 Plan will lapse and such unvested awards will be deemed fully vested and any performance conditions imposed with respect to such awards will be deemed to be fully achieved at the target level. Under the 2012 Plan, the term change in control generally means: (a) any person other than the company, any company affiliate or subsidiary, becomes the beneficial owner, directly or indirectly, of securities representing 50% or more of our then-outstanding voting power (excluding shares purchased directly from us or our affiliates); (b) a change in the majority of the membership of our board of directors other than directors approved by two-thirds of the directors (other than directors assuming office in conjunction with an election contest) who constituted the board of directors at the time our IPO was consummated, or whose election was previously so approved; (c) the consummation of a merger, amalgamation or consolidation of us or any of our subsidiaries with any other corporation, other than a merger or amalgamation immediately following which our board of directors immediately prior to the merger or amalgamation constitute at least a majority of the directors of the company surviving or continuing after the merger or amalgamation or, if the surviving company is a subsidiary, the ultimate parent thereof; or (d) our stockholders approve a plan of complete liquidation or dissolution of our company or there is consummated an agreement for the sale or disposition of all or substantially all of our assets, other than (1) a sale of such assets to an entity, at least 50% of the voting power of which is held by our stockholders following the transaction in substantially the same proportions as their ownership of the company immediately prior to the transaction or (2) a sale or disposition of such assets immediately following

which our board of directors immediately prior to such sale constitute at least a majority of the board of directors of the entity to which the assets are sold or disposed, or, if that entity is a subsidiary, the ultimate parent thereof. Until such time as the awards are fully vested and/or exercisable in accordance with the 2012 Plan, awards may not be sold, assigned, mortgaged, hypothecated, transferred, charged, pledged, encumbrance, gifted, transferred in trust (voting or other) or disposed in any other manner, except with the prior written consent of the administrator, which consent may be granted or withheld in the sole discretion of the Plan Administrator.

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

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

2006 Stock Option Plan

In connection with the adoption of the 2012 Plan the board of directors terminated the 2006 Stock Option Plan (the "2006 Plan") effective as of July 27, 2012, and no further awards may be granted under the 2006 Plan after such date. However, the termination of the 2006 Plan did not affect awards outstanding under the 2006 Plan at the time of its termination and the terms of the 2006 Plan continue to govern outstanding awards granted under the 2006 Plan. The options granted under the 2006 Plan expire 10 years after the date of grant. The outstanding options under the 2006 Plan were fully vested as of December 30, 2018.

Outstanding Equity Awards at Fiscal Year End

NAME	OPTION AWARDS				STOCK AWARDS	
	NUMBER OF UNDERLYING UNEXERCISABLE OPTIONS (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEXERCISABLE OPTIONS (#)	OPTION EXERCISE PRICE (\$/SH)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (\$)
Steve Hislop	40,000 ⁽¹⁾	—	(1) 28.51	2/28/2023	3,154 ⁽²⁾	56,646
					6,584 ⁽³⁾	118,249
					16,718 ⁽⁴⁾	300,255
					25,282 ⁽⁵⁾	454,065
Jon Howie	48,938 ⁽⁶⁾	—	(6) 13.54	4/10/2022	3,149 ⁽²⁾	56,556
					3,287 ⁽³⁾	59,035
					6,261 ⁽⁴⁾	112,448
					82,361 ⁽⁵⁾	1,479,204
Michael Hatcher	10,000 ⁽¹⁾	—	(1) 28.51	2/28/2023	973 ⁽²⁾	17,475
	4,604 ⁽⁷⁾	—	(7) 8.22	1/1/2020	1,447 ⁽³⁾	25,988
					2,756 ⁽⁴⁾	49,498
					4,168 ⁽⁵⁾	74,857
John Mountford					681 ⁽²⁾	12,231
					1,013 ⁽³⁾	18,193
					1,988 ⁽⁴⁾	35,704
					3,064 ⁽⁵⁾	55,029

(1)

These options were granted on March 5, 2013 and vested 20% on each of the first five anniversaries of the grant date.

- (2) These restricted stock units were granted on March 5, 2015 and vested 25% on each of the first four anniversaries of the grant date.
- (3) These restricted stock units were granted on March 4, 2016 and vest 25% on each of the first four anniversaries of the grant date.
- (4) These restricted stock units were granted on March 15, 2017 and vest 25% on each of the first four anniversaries of the grant date.
- (5) These restricted stock units were granted on March 15, 2018 and vest 25% on each of the first four anniversaries of the grant date.
- (6) These options were granted on April 10, 2012 and vested 20% on August 14, 2012 and 20% on each of the next four anniversaries of the first vesting date of August 14, 2012.
- (7) These options were granted on January 1, 2010 and vested 20% on each of the first five anniversaries of the grant date.

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Option Exercises and Stock Vested

NAME	OPTION AWARDS		STOCK AWARDS	
	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)(1)	NUMBER OF SHARES ACQUIRED ON VESTING (#)	VALUE REALIZED (\$)(2)
Steve Hislop	—	—	17,187	467,624
Jon Howie	—	—	9,460	259,921
Michael Hatcher	—	—	4,211	115,595
John Mountford	—	—	2,225	60,747

(1) Reflects the difference between the market price of our common stock at the time of exercise and the exercise price of the options.

(2) Value based on market value of our common stock on the dates of vesting.

Nonqualified Deferred Compensation

Effective July 2018, the Company provides a certain group of eligible employees, including our named executive officers, the ability to participate in the Company's nonqualified deferred compensation plan. This plan allows participants to defer up to 80% of their salary and up to 100% of their bonus, thereby delaying taxation of these deferred amounts until actual payment of the deferred amount in future years. This plan also provides for Company discretionary matching contributions. Our current matching contributions match the discretionary contributions made under our 401(k) Plan and vest ratably over three years starting on the first day of the participant's service with the Company, such that an eligible employee with three years of service will be 100% vested in our matching contributions. At the participant's election, payments can be deferred until a specific date at least 12 months after the year of deferral or until termination of employment (subject to earlier payment in the event of a change of control) and can be paid in a lump sum or in up to five annual installments.

The amounts deferred are credited to accounts that mirror the gains and/or losses of several different investment alternatives offered by the plan. Even though we are not required to fund this plan and have unrestricted use of any amounts deferred by participants, we have established a "Rabbi Trust" to invest funds equal to all deferred amounts. The funds are generally invested in certain insurance policies designed for this purpose. These assets, although not required by the plan, are segregated to pay benefits to the participants. In the event of bankruptcy or liquidation, these assets will be subject to forfeiture.

The following table shows the contributions, earnings and account balances for the named executive officers under the nonqualified deferred compensation plan for fiscal year ended December 30, 2018:

NAME	EXECUTIVE CONTRIBUTIONS (\$)(1)	COMPANY CONTRIBUTIONS (\$)(2)	AGGREGATE EARNINGS/ (LOSS) (\$)	AGGREGATE WITHDRAWALS/ DISTRIBUTIONS (\$)	AGGREGATE BALANCE AT YEAR-END (\$)
Steve Hislop	18,073	4,518	83	—	22,674
Jon Howie	10,958	2,740	(1,045)) —	12,653
Michael Hatcher	12,882	1,503	(1,341)) —	13,044
John Mountford	8,646	1,297	(611)) —	9,332

(1) These amounts are reported as compensation earned by named executive officers in the "Summary Compensation Table" for fiscal year 2018.

(2)

These amounts are reported as "other" compensation earned by named executive officers in the "Summary Compensation Table" for fiscal year 2018.

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Potential Payments upon Termination or Change in Control

Termination of Employment

As of December 28, 2018, we had entered into employment agreements with Messrs. Hislop, Howie and Hatcher that would entitle them to severance payments upon termination of employment. Assuming the employment of these executive officers was terminated by us without cause on December 28, 2018, the last business day of fiscal year 2018, Messrs. Hislop, Howie and Hatcher would be entitled to \$1,306,036, \$401,183 and \$220,558, respectively, under the employment agreements in effect at that time. As of December 28, 2018, Mr. Mountford did not have an employment agreement with the Company. For information on the severance benefits the executives are entitled to in the event of a termination of employment, under their employment agreements, see Item 11. "Executive Compensation—Employment Agreements."

Change-in-Control

Under the 2012 Plan, a named executive officer's awards granted under that plan will immediately vest in the event that a change in control (as defined in the 2012 Plan or a "2012 Change in Control") occurs and the officer's employment is terminated without cause within 24 months following the change in control.

If a 2012 Change in Control occurred and the employment of Messrs. Hislop, Howie, Hatcher and Mountford was terminated on December 28, 2018, the last business day of fiscal year 2018, Messrs. Hislop, Howie, Hatcher and Mountford would have received \$929,215, \$1,707,243, \$167,818 and \$121,157, respectively, related to accelerated vesting of equity awards outstanding under the 2012 Plan.

The closing price of our common stock on December 28, 2018 was \$17.96 per share.

Director Compensation

The elements of compensation payable to our non-employee directors in 2018 are briefly described in the following table:

Board Service:

Annual cash retainer	\$40,000
Annual equity award grant	\$40,000
Lead Independent Director annual cash retainer	\$5,000

Board Committee Service:

Audit Committee Chair annual cash retainer	\$10,000
Compensation Committee Chair annual cash retainer	\$5,000
Nominating & Corporate Governance Committee Chair annual cash retainer	\$2,500

Our non-employee directors receive compensation for their services as directors. Our Lead Independent Director and our Committee Chairs receive additional compensation for their service. We reimburse directors for all expenses incurred in attending board meetings.

Grants of equity awards to members of our board of directors are made under the 2012 Plan. These equity awards vest 25% on each of the first four anniversaries of the grant date.

Director Compensation Table

The following table provides information regarding the compensation of our non-employee directors for the year ended December 30, 2018:

NAME	FEES		TOTAL (\$)
	EARNED OR PAID IN CASH (\$)	STOCK AWARDS (\$) ⁽¹⁾	
John Zapp ⁽²⁾	20,000	39,989	59,989
Starlette Johnson	42,500	39,989	82,489
Saed Mohseni ⁽³⁾	47,500	39,989	87,489
Ira Zecher	50,000	39,989	89,989
Randall M. DeWitt	40,000	39,989	79,989

These restricted stock units were granted on March 15, 2018 and vest 25% on each of the first four anniversaries of (1) the grant date. The grant date fair value of each award was equal to the closing price of the Company's stock on the date of

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grant or \$25.70, as calculated in accordance with FASB ASC Topic 718 (“Topic 718”). See Note 12 to our consolidated financial statements included in the Original Form 10-K for information regarding the assumptions made in determining these values.

(2) John Zapp resigned from the board of directors on May 9, 2018. The fees paid are for a partial year of service.

(3) Saed Mohseni was appointed as our Lead Independent Director in May 2018. The fees paid are for a partial year of service in this role.

The following table provides information regarding the aggregate number of option and restricted stock unit awards held by our non-employee directors as of December 30, 2018:

NAME	AGGREGATE OPTION AWARDS	AGGREGATE RESTRICTED STOCK UNIT AWARDS	TOTAL AGGREGATE NUMBER OF AWARDS
Starlette Johnson	7,250	3,628	10,878
Saed Mohseni	7,250	3,628	10,878
Ira Zecher	2,850	3,628	6,478
Randall M. DeWitt	—	2,776	2,776

Compensation Committee Interlocks and Insider Participation

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

CEO Pay Ratio

Pursuant to Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, the Company is required to provide the ratio of Mr. Hislop's annual total compensation to the compensation of our median employee. Because SEC rules for identifying the median employee and calculating the pay ratio permit companies to use various methodologies and assumptions, apply certain exclusions, and make reasonable estimates that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio that the Company has reported below.

To identify the median employee, we utilized total gross wages (including reported tips) of all of our full-time and part-time employees who were employed by the Company on December 30, 2018, other than Mr. Hislop. We excluded from total gross wages certain unusual and non-recurring items not available to all employees, such as stock based compensation, to achieve a consistently applied compensation measure. We also annualized the compensation of our employees who were not employed by the Company for all of fiscal year 2018.

Our median employee was identified as a wait staff who worked an average of 25 hours per week. This total compensation figure reflects employment on a part-time basis, and is not necessarily representative of the compensation of other restaurant employees or of our overall compensation practices.

Based on the above determination, our median employee's total annual compensation (calculated in accordance with Item 402(c)(2)(x) of Regulation S-K) was \$17,745. Our CEO's total annual compensation (calculated in accordance with Item 402(c)(2)(x) of Regulation S-K and as reported in the Summary Compensation Table) was \$1,361,385.

Based on the foregoing, Mr. Hislop's annual total compensation for fiscal year 2018 was approximately 77 times our median employee's annual total compensation. This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions summarized above.

Our CEO pay ratio is not an element that the compensation committee considers in setting the compensation of our CEO, nor is our CEO's compensation a material element that management considers in making compensation decisions for non-officer employees.

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

Equity Compensation Plan Information

The following table sets forth, in tabular format, as of December 30, 2018 a summary of certain information related to our equity incentive plans under which our equity securities are authorized for issuance:

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (a)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (\$)(b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a))
Equity compensation plans approved by security holders			
2012 Omnibus Equity Incentive Plan	496,448	(1) 27.68	(2) 502,138
2006 Stock Option Plan	118,785	11.03	—
Total	615,233	19.67	502,138

(1) Includes 368,402 shares underlying time-based restricted stock units.

(2) Weighted average exercise price of outstanding options excludes restricted stock units.

Beneficial Ownership

The tables below set forth the beneficial ownership information of our common stock as of April 1, 2019 for:

• each of our named executive officers;

• each of our directors;

• all of our executive officers and directors as a group; and

• each person known to us to be the beneficial owner of more than 5% of our shares of common stock.

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

Beneficial ownership and percentage of beneficial ownership is based on 16,868,125 shares of our common stock outstanding at April 1, 2019. Shares of common stock subject to options or restricted stock units that a person has a right to acquire or receive within 60 days of April 1, 2019 are deemed to be outstanding and beneficially owned by the person holding the options or restricted stock units for the purpose of computing the percentage of beneficial ownership of that person and any group of which that person is a member, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person.

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Directors and Named Executive Officers

NAME	BENEFICIALLY PERCENT OF	
	OWNED ⁽¹⁾	CLASS
Steve Hislop	129,506	*
Jon Howie	79,199	*
Michael Hatcher	32,441	*
John Mountford	16,214	*
Starlette Johnson	11,802	*
Saed Mohseni	11,802	*
Ira Zecher	5,087	*
Randall M. DeWitt	1,255	*

All Directors and Executive Officers as a group (8 persons) 287,306 1.7 %

* Indicates ownership of less than 1%.

Based on shares of common stock outstanding as of April 1, 2019. Steve Hislop, Jon Howie, Michael Hatcher, Starlette Johnson, Saed Mohseni and Ira Zecher held options to purchase 40,000, 48,938, 14,604, 7,250, 7,250 and (1)2,850 shares of common stock, respectively, which are exercisable within the 60 days of April 1, 2019. All Directors and Executive Officers as a group line item includes 120,892 options to purchase shares of our common stock exercisable within the 60 days of April 1, 2019.

Five Percent Holders

The following table sets forth information regarding the number and percentage of shares of common stock held by all persons and entities who are known by the Company to beneficially own five percent or more of the Company's outstanding common stock. The information regarding beneficial ownership of common stock by the entities identified below is included in reliance on a report filed with the SEC by such entity, except that the percentages are based upon the Company's calculations made in reliance upon the number of shares reported to be beneficially owned by such entity in such report and the number of shares of common stock outstanding on April 1, 2019.

NAME	NUMBER OF		PERCENTAGE OF
	SHARES	OUTSTANDING SHARES	
BlackRock, Inc. ⁽¹⁾	2,527,198	15.0	%
Wasatch Advisors, Inc. ⁽²⁾	1,720,632	10.2	%
T. Rowe Price Associates, Inc. ⁽³⁾	1,582,773	9.4	%
Macquarie Group Limited ⁽⁴⁾	1,048,070	6.2	%
Dimensional Fund Advisors LP ⁽⁵⁾	1,016,579	6.0	%

According to Amendment No. 4 to Schedule 13G filed on January 24, 2019 by BlackRock, Inc., BlackRock, Inc. (1) beneficially owns and has sole dispositive power with respect to 2,527,198 shares of our common stock and has sole voting power with respect to 2,492,110 shares of our common stock. The address of BlackRock Inc. is 55 East 52nd Street, New York, NY 10055.

According to Amendment No. 4 to Schedule 13G filed on April 10, 2019 by Wasatch Advisors, Inc., Wasatch (2) Advisors, Inc. beneficially owns and has sole voting and dispositive power with respect to 1,720,632 shares of our common stock. The address of Wasatch Advisors, Inc. is 505 Wakara Way, Salt Lake City, UT 84108.

According to Amendment No. 1 to Schedule 13G filed on February 14, 2019 by T. Rowe Price Associates, Inc., T. (3) Rowe Price Associates, Inc. beneficially owns and has sole dispositive power with respect to 1,582,773 shares of our common stock and has sole voting power with respect to 290,841 shares of our common stock. The address of T. Rowe Price Associates, Inc. is 100 East Pratt St., Baltimore, MD 21202.

(4) According to Schedule 13G filed on February 14, 2019 by Macquarie Group Limited, Macquarie Bank Limited, Macquarie Investment Management Holdings Inc and Macquarie Investment Management Business Trust, Macquarie Group Limited and Macquarie Bank Limited beneficially own 1,048,070 shares of our common stock, Macquarie Investment Management Holdings Inc and Macquarie Investment Management Business Trust beneficially own 1,048,070 shares of our common stock and have sole voting and dispositive power with respect to

1,044,714 shares of our common stock. The address of

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Macquarie Group Limited and Macquarie Bank Limited is 50 Martin Place Sydney, New South Wales, Australia. The address of Macquarie Investment Management Holdings Inc. and Macquarie Investment Management Business Trust is 2005 Market Street, Philadelphia, PA 19103.

According to Amendment No. 1 to Schedule 13G filed on February 8, 2019 by Dimensional Fund Advisors LP, (5) Dimensional Fund Advisors LP beneficially owns and has sole dispositive power with respect to 1,016,579 shares of our common stock and has sole voting power of 963,664 shares of our common stock. The address of Dimensional Fund Advisors LP is 6300 Bee Cave Road, Building One, Austin, TX 78746.

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

The following is a summary of transactions that occurred on or were in effect after December 31, 2017 to which we have been a party in which the amount involved exceeded \$120,000 and in which any of our executive officers, directors or beneficial holders of more than 5% of our capital stock had or will have a direct or indirect material interest.

Default License Letter Agreements

We entered into letter agreements in November 2006 with respect to the properties that we lease from Young/Zapp GP, LLC ("Young/Zapp") and its subsidiaries, an entity owned 47.5% by each of our Founders and former directors and 5.0% by Sharon Russell, a former executive officer of the Company and its subsidiaries. Pursuant to these letter agreements, if we default under our lease agreements with Young/Zapp and terminate possession of the lease location, Young/Zapp may operate a Tex-Mex or Mexican food restaurant in that location. However, they may not use our trademarks or trade names or confusingly similar trademarks or tradenames. The approximate dollar value of this agreement was not determinable.

Intellectual Property

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

Management Agreement

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

Management System License Agreement

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

Cross-Marketing License Agreement

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

Parade Sponsorship Agreement

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

Leases

On December 1, 2016, we entered through our subsidiary Chuy's Opco, Inc. into a sublease with Young Zapp Graceland, Ltd. for additional office space next to the Company's current office space. Young Zapp Graceland, Ltd. is owned by John Zapp and Michael Young, former directors of the Company, and Sharon Russell, a former executive officer of the Company. The audit committee and the disinterested directors of the board approved the transaction after determining that the transaction was in the ordinary course of the Company's business and was on terms as favorable as would have been obtained by the Company in a

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comparable arm’s length transaction with an independent, unrelated third party. The sublease began on January 1, 2017 and has a five-year term with an option to extend for an additional five years. The Company was required to pay rent of \$16,320 per month during the first year. This monthly rent amount increases approximately \$500 each year. The sublease is a triple net lease and the Company will be responsible for the taxes, insurance and maintenance costs related to the property.

In addition to our corporate office, we also lease our North Lamar, River Oaks, Highway 183, Round Rock, Shenandoah and Arbor Trails properties from subsidiaries of Young/Zapp. In 2018, we paid Young/Zapp \$343,615, \$286,504, \$424,342, \$495,688, \$547,401, \$313,004 and \$422,367, which includes rent and a percentage of gross sales in excess of our base rent, with respect to our headquarters, North Lamar, River Oaks, Hwy 183, Round Rock, Shenandoah and Arbor Trails locations, respectively.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. Each indemnification agreement provides that, subject to limited exceptions, and among other things, we will indemnify the director or executive officer to the fullest extent permitted by law for claims arising in his or her capacity as our director or officer and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

Related Party Transactions Policy

Our audit committee reviews certain financial transactions, arrangements and relationships between us and any of the following related parties to determine whether any such transaction, arrangement or relationship is a related party transaction:

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

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

• involves or will involve, directly or indirectly, any related party identified above and is in an amount greater than \$120,000;

• would cast doubt on the independence of a director;

• would present the appearance of a conflict of interest between us and the related party; or

• is otherwise prohibited by law, rule or regulation.

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

RSM US LLP served as the Company’s independent registered public accounting firm in 2018 and 2017. The following sets forth fees billed by RSM for the audit of our annual financial statements and other services rendered:

	YEAR ENDED	
	DECEMBER 31,	
	2018	2017
Audit fees ⁽¹⁾	\$ 503,450	\$ 372,600
Tax fees ⁽²⁾	31,775	3,495
Total	\$ 535,225	\$ 376,095

(1) Includes fees for audits of our annual financial statements and its internal control over financial reporting, reviews of the related quarterly financial statements, and services that are normally provided by independent registered

public accounting firms in connection with statutory and regulatory filings or engagements, including reviews of documents filed with the SEC.

(2) Tax fees for fiscal years 2018 and 2017 consisted of \$31,775 and \$3,495, respectively, for tax advice.

Pursuant to the charter of the audit committee, the audit committee is responsible for the oversight of our accounting, reporting and financial practices. The audit committee has the responsibility to select, appoint, engage, oversee, retain, evaluate and terminate

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our external auditors; pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to us by our external auditors; and establish the fees and other compensation to be paid to our external auditors. The audit committee has adopted a policy to pre-approve all audit and permitted non-audit services provided by our independent registered public accounting firm. All audit and non-audit services for 2018 and 2017 were pre-approved by the audit committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements - see Index to Financial Statements appearing on page F-1 of the Original Form 10-K.

(2) Financial Statement Schedules – None.

(3) Exhibits - The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report.

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Exhibit Index

Exhibit No.	Description of Exhibit
<u>3.1</u>	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on July 27, 2012)
<u>3.2</u>	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on October 30, 2013)
<u>4.1</u>	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
<u>10.1*</u>	Chuy's Holdings, Inc. 2012 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
<u>10.2*</u>	Form of Restricted Share Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.4 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
<u>10.3*</u>	Form of Option Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.5 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
<u>10.4*</u>	Form of Restricted Stock Unit Agreement (2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on form 10-K, filed on March 11, 2014)
<u>10.5*</u>	Form of Restricted Stock Unit Agreement (Amended 2015)(2012 Omnibus Equity Incentive Plan) (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K, filed on March 12, 2015)
<u>10.6*</u>	Form of Option Agreement (Amended 2015)(2012 Omnibus Equity Incentive Plan)(incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed on May 8, 2015)
<u>10.7*</u>	Chuy's Holdings, Inc. Amended and Restated 2006 Stock Option Plan (incorporated by reference to Exhibit 10.37 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-176097), filed on May 17, 2012)
<u>10.8*</u>	Chuy's Holdings, Inc. 2006 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.9*</u>	Form of Stock Option Award Agreement (2006 Stock Option Plan) (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.10*</u>	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.8 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
<u>10.11</u>	Letter Agreement regarding Arbor Trails Chuy's, dated November 7, 2006, by and between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.12</u>	Recipe License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.13</u>	Cross-Marketing License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.14*</u>	Management Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and Three Star Management, Ltd. (incorporated by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.15</u>	

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Management System License Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)

10.16

Parade Sponsorship Agreement, dated November 7, 2006, by and between Chuy's Opco, Inc. and MY/ZP IP Group, Ltd. (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)

10.17

Form of License Exercisable Upon Event of Default Under Lease Agreement (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)

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<u>10.18</u>	Lease Agreement, dated November 7, 2006, between Young Zapp Graceland, Ltd. and Chuy's Opco, Inc. (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.19</u>	Lease Agreement, dated January 1, 2002, between Young Zapp North Lamar, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.20</u>	Lease Agreement, dated November 1, 1998, between Young-Zapp Joint Venture II and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.21</u>	Lease Agreement, dated November 19, 1996, between Young Zapp Joint Venture-IV and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.22</u>	Lease Agreement, dated January 22, 2001, between Young Zapp JVRR, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.23</u>	Lease Agreement, dated June 1, 2003, between Young Zapp Shenandoah, Ltd. and Chuy's Opco, Inc., as amended, modified and assigned (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.24</u>	Lease Agreement, dated April 22, 2008, between Young Zapp Arbor Trails, Ltd. and Chuy's Opco, Inc. (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-176097), filed on August 5, 2011)
<u>10.25</u>	Sublease Agreement, dated December 1, 2016, between Young Zapp Graceland, Ltd. and Chuy's Opco, Inc.
<u>10.26</u>	Form of Right to Repurchase Agreement (incorporated by reference to Exhibit 10.30 of Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-176097), filed on October 27, 2011)
<u>10.27</u> *†	Employment Agreement, dated March 11, 2019, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Steve Hislop
<u>10.28</u> *†	Employment Agreement, dated March 11, 2019, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Jon Howie
<u>10.29</u> *†	Employment Agreement, dated March 11, 2019, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and John Mountford
<u>10.30</u> *†	Employment Agreement, dated March 11, 2019, between Chuy's Holdings, Inc., Chuy's Opco, Inc. and Michael Hatcher
<u>10.31</u> *	Chuy's Holdings, Inc. Senior Management Incentive Plan (incorporated by reference to Exhibit 10.34 of Amendment No. 7 to the Registration Statement on Form S-1 (File No. 333-176097), filed on July 11, 2012)
<u>10.32</u>	Credit Agreement, dated November 30, 2012, by and among Chuy's Holdings, Inc., as borrower, the subsidiaries of Chuy's Holdings, Inc., as guarantors, and Wells Fargo Bank, National Association, as administrative agent, swingline lender, issuing lender and lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 6, 2012)
<u>10.33</u>	First Amendment to the Credit Agreement, dated October 30, 2015, by and among Chuy's Holdings, Inc., as borrower, the guarantors party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on November 3, 2015)
<u>21.1</u> †	Subsidiaries of Chuy's Holdings, Inc.
<u>23.1</u> †	Consent of RSM US LLP
<u>31.1</u> +†	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>31.2</u> +†	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>32.1</u> †	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002

101.INS† XBRL Instance Document

101.SCH† XBRL Taxonomy Extension Schema

101.CAL† XBRL Taxonomy Extension Calculation Linkbase Document

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101.DEF†XBRL Taxonomy Extension Definition Linkbase Document

101.LAB†XBRL Taxonomy Extension Label Linkbase Document

101.PRE†XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or compensatory plan or arrangement.

+ Filed herewith.

† Filed as an exhibit to Chuy's Annual Report on Form 10-K filed March 12, 2019.

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SIGNATURES

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

Date: April 22, 2019 CHUY'S HOLDINGS, INC.

By: /s/ Jon W. Howie
Jon W. Howie
Vice President and Chief Financial Officer