CHUY'S HOLDINGS, INC.
Form 424B4
April 15, 2013
Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

TABLE OF CONTENTS

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

Basis of Presentation

We operate on a 52- or 53-week fiscal year that ends on the last Sunday of the calendar year. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter has 14 weeks. Our 2010 and 2011 fiscal years each consisted of 52 weeks. Our 2012 fiscal year consisted of 53 weeks. Fiscal years are identified in this prospectus according to the calendar year in which the fiscal year ends. For example, references to 2012, fiscal 2012, fiscal year 2012 or similar references refer to the fiscal year ended December 30, 2012.

References to comparable restaurants in this prospectus include restaurants operating in and following the first full quarter following the 18th month of operations. As of December 25, 2011 and December 30, 2012, we had 18 and 24 comparable restaurants, respectively.

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

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

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

Initial Public Offering and Reverse Stock Split

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

Industry and Market Data

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

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

Trademarks and Copyrights

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

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere or incorporated by reference from our Annual Report on Form 10-K (Form 10-K) in this prospectus and is qualified in its entirety by the more detailed information and the consolidated financial statements and the related notes to those statements incorporated by reference in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common shares. You should read this prospectus and the information incorporated by reference herein carefully, including the section entitled Risk Factors included elsewhere in this prospectus and the consolidated financial statements and the related notes to those statements incorporated by reference herein.

Business Overview

Chuy s is a fast-growing, full-service restaurant concept offering a distinct menu of authentic, freshly-prepared Mexican and Tex Mex inspired food. We were founded in Austin, Texas in 1982 by Mike Young and John Zapp, who we refer to as our Founders, and, as of December 30, 2012, we operated 39 Chuy s restaurants across Texas, Tennessee, Kentucky, Alabama, Indiana, Georgia, Florida and Oklahoma with an average unit volume of $5.0 million for our 24 comparable restaurants for the twelve months ended December 30, 2012. Our restaurants have a common décor, but we believe each location is unique in format, offering an unchained look and feel, as expressed by our motto If you ve seen one Chuy s, you ve seen one Chuy s! We believe our restaurants have an upbeat, funky, eclectic, somewhat irreverent atmosphere while still maintaining a family-friendly environment. We are committed to providing value to our customers through offering generous portions of made-from-scratch, flavorful Mexican and Tex Mex inspired dishes. We believe our employees are a key element of our culture and set the tone for a fun, family-friendly atmosphere with attentive service.

We have grown the total number of Chuy s restaurants from eight locations as of December 30, 2007 to 42 locations as of April 9, 2013, representing a compound annual growth rate of 36.8%. We opened eight restaurants in 2012. We have opened three restaurants year to date through April 9, 2013, including our first in Virginia, and plan to open an additional five to six restaurants in 2013. From fiscal year 2007 to the twelve months ended December 30, 2012, our annual revenue increased from $42.1 million to $172.6 million and our Adjusted EBITDA increased from $5.7 million to $25.5 million, representing compounded annual growth rates of 32.5% and 34.8%, respectively. Over the same period, our net income (loss) increased from ($0.9 million) to $5.5 million. For a reconciliation of Adjusted EBITDA, a non-GAAP term, to net income, see footnote 4 to Summary Historical Financial and Operating Data. Our change in comparable restaurant sales has outperformed the KNAPP-TRACK index of casual dining restaurants for each of the last five years. In the 52 week period ended December 23, 2012, comparable restaurant sales increased 2.8%, or 2.2% excluding the impact of an extra 1.5 operating days in 2012 because of the timing of the Christmas holiday, over the same period during the prior year. We believe the broad appeal of the Chuy s concept, historical unit economics and flexible real estate strategy enhance the portability of our concept and provide us opportunity for continued expansion.

Table of Contents

We offer the same core menu during lunch and dinner, which was created using recipes from families and friends of our Founders, and includes enchiladas, fajitas, tacos, burritos, combination platters and daily specials, complemented by a variety of appetizers, soups and salads. Each of our restaurants also offers a variety of homemade sauces made from scratch daily in every restaurant, including the signature Hatch green chile and creamy jalapeño sauces, all of which provide our customers with an added ability to customize their orders. Our menu offers considerable value to our customers, with only three out of 49 menu items priced over $10.00 as of December 30, 2012. We also offer a full-service bar in all of our restaurants providing our customers a wide variety of beverage offerings, featuring a selection of specialty cocktails including our signature on-the-rocks margaritas made with fresh, hand-squeezed lime juice and the Texas Martini, a made-to-order, hand-shaken cocktail served with jalapeño-stuffed olives. For the twelve months ended December 30, 2012, alcoholic beverages constituted 19.2% of our total restaurant sales.

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

Our Business Strengths

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

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

Considerable Dining Value with Broad Customer Appeal. We are committed to providing value to our customers through offering generous portions of flavorful Mexican and Tex Mex inspired dishes using fresh, high-quality ingredients. We believe our menu offers a considerable value proposition to our customers, with only three out of our 49 menu items priced over $10.00 as of December 30, 2012. Further highlighting our value proposition, for the twelve months ended December 30, 2012, our average check was $13.18. Although our core demographic is ages 21 to 44, we believe our restaurants appeal to a broad spectrum of customers and will continue to benefit from trends in consumers preferences. We believe consumers are craving bold, spicy and flavorful foods, like those featured in our core offering, and there is increasing demand for fresh, authentic Mexican and Tex Mex inspired food combined with a fun and festive dining experience. We believe we are also an attractive venue for families and other large parties, and consider many of our restaurants to be destination locations, drawing customers from as far as 30 miles away.

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

Deep Rooted and Inspiring Company Culture. We believe the Chuy s culture is one of our most valuable assets, and we are committed to preserving and continually investing in our culture and restaurant experience. Since our founding in 1982, we believe we have developed close personal relationships with our customers, employees and vendors. We emphasize a fun, passionate and authentic culture and support active social responsibility and involvement in local communities. We believe our employees and customers share a unique energy and passion for our concept. We are proud of our annual employee turnover rate at comparable restaurants, which as of December 30, 2012, was approximately 22% for managers and 70% for hourly employees, and our goal of promoting 40% of restaurant-level managers from within, as well as our solid base of repeat customers.

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

Flexible Business Model with Industry Leading Unit Economics. We have a long standing track record of consistently producing high average unit volumes relative to competing Mexican concepts, as well as established casual dining restaurants. For the twelve months ended December 30, 2012, our comparable restaurants, on a 52 week basis, generated average unit volumes of $5.0 million, with our highest volume restaurant generating $8.0 million and our lowest volume restaurant generating $3.2 million. We maintain strong Restaurant-Level EBITDA margins at our comparable restaurants, which for the twelve months ended December 30, 2012 represented 22.6% of revenue. For a reconciliation of Restaurant-Level EBITDA, a non-GAAP term, to net income, see footnote 4 to Summary Historical Financial and Operating Data. We have opened and operated restaurants in Texas, the Southeast and the Midwest and achieved attractive rates of return on our invested capital, providing a strong foundation for expansion in both new and existing markets. Under our investment model, our new restaurant openings have historically required a net cash investment of approximately $1.8 million. For our new unit openings, we estimate that each ground-up buildout of our prototype will require a total cash investment of $1.7 million to $2.5 million (net of estimated tenant incentives of between zero and $0.8 million). We estimate that each conversion will require a total cash investment of $2.0 million to $2.2 million. We target a cash-on-cash return beginning in the third operating year of 40%, and a sales to investment ratio of 2:1 for our new restaurants. On average, returns on new units opened since 2001 have exceeded these target returns in the second year of operations.

Experienced Management Team. We are led by a management team with significant operational experience. Our senior management team has an average of approximately 29 years of restaurant industry experience and our 40 general managers, as of December 30, 2012, have an average tenure at Chuy s of approximately seven

Table of Contents

years. In 2007, we hired our CEO and President, Steve Hislop. Mr. Hislop is the former President of O Charley s Restaurants, where he spent 19 years performing a variety of functions, including serving as Concept President and a member of the board of directors, and helped grow the business from 12 restaurants to a multi-concept company with 347 restaurants during his tenure. Since Mr. Hislop s arrival in 2007, we have opened 34 new restaurants, as of April 9, 2013, and entered eight new states.

Our Business Strategies

Pursue New Restaurant Development. We plan to open new restaurants in both established and adjacent markets across Texas, the Southeast and the Midwest where we believe we can achieve high unit volumes and attractive unit level returns. We believe the broad appeal of the Chuy s concept, historical unit economics and flexible real estate strategy provide us opportunity for continued expansion. Our new restaurant development will consist primarily of conversions of existing structures, with ground up construction of our prototype in select locations. We have grown our restaurant base through a challenging economic environment. In 2010, we opened six new restaurants including three locations outside of Texas: Murfreesboro, Tennessee; Birmingham, Alabama; and Louisville, Kentucky. In 2011, we opened eight new restaurants, including our first restaurants in Indiana and Georgia. We opened eight restaurants in 2012, including our first restaurants in Oklahoma and Florida. Each of these restaurants opened at high unit volumes with attractive returns. Our restaurants opened since 2001 that have been in operations for more than two years have generated average cash-on-cash returns of greater than 40% in the second year of operations. We have opened three restaurants year to date through April 9, 2013, including our first in Virginia, and plan to open an additional five to six restaurants in 2013. From January 1, 2013 through the end of 2017, we expect to open a total of 59 to 64 new restaurants.

Deliver Consistent Comparable Restaurant Sales Through Providing High-Quality Food and Service. We believe we will be able to generate comparable restaurant sales growth by consistently providing an attractive price/value proposition for our customers driven by freshly-prepared, high-quality food with excellent service in an upbeat atmosphere. Though the core menu will remain unchanged, we will continue to explore potential additions as well as limited time food and drink offerings. Additionally, we will continue to promote our brand and drive traffic through local marketing efforts and charity events such as the Chuy s Hot to Trot 5K and the Chuy s Children Giving to Children Parade, as well as our line of eclectic t-shirts.

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

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

Our Challenges

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

n our financial results depend significantly upon the success of our existing and new restaurants;

n our long-term success is highly dependent on our ability to successfully identify new locations and develop and expand our operations;

n damage to our reputation or lack of acceptance of our brand in existing or new markets could negatively impact our business, financial condition and results of operations;

Table of Contents

- we are susceptible to economic and other trends and developments, including adverse weather conditions, in the local or regional areas in which our restaurants are located; and

- changes in food availability and costs could adversely affect our operating results.

Recent Developments

We are currently in the process of finalizing our financial results for the first quarter ended March 31, 2013. Based on preliminary unaudited information, we expect that:

- total revenues will be approximately $46.7 million in the first fiscal quarter of 2013, an increase of 24.5% compared to revenue of $37.5 million in the first fiscal quarter of 2012; and

- comparable restaurant sales increased by approximately 2.3% for the 13-week period ended March 31, 2013, compared to the 13-week period ended April 1, 2012, which was driven by a 2.2% increase in average check and a 0.1% increase in average weekly customers.

Due to the inclusion of a 53rd week in fiscal 2012, there is a one-week calendar shift in the comparison of the first fiscal quarter of 2013 ended March 31, 2013, to the first fiscal quarter of 2012 ended March 25, 2012. As a result, our comparable restaurant sales calculation is based on comparing sales in the first fiscal quarter of 2013 to sales in the corresponding calendar period of 2012. Sales for the same 27 restaurants in the comparable restaurant base in the fiscal first quarter ended March 31, 2013 increased 1.0% compared to the first fiscal quarter of 2012 ended March 25, 2012.

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

We have prepared the preliminary financial data included above, and our independent registered public accounting firm has not audited, reviewed, compiled or performed any procedures with respect to such information. Our independent registered public accounting firm is in the process of conducting its review of our financial statements for the quarter ended March 31, 2013. We currently expect that our final results will be consistent with the estimates described above. However, the estimates described above are preliminary and represent the most current information available to management. Therefore, it is possible that our actual results may differ materially from these estimates due to the completion of our final closing procedures and other developments that may arise between now and the time our results for the quarter ended March 31, 2013 are finalized.

The foregoing preliminary financial results constitute forward looking statements. Actual results may vary materially from the information contained in these forward-looking statements based on a number of factors. Please refer to the section entitled Cautionary Statement Regarding Forward-Looking Statements in this prospectus for additional information.

Refinancing Transactions

On November 30, 2012, we entered into a $25.0 million secured revolving credit facility (the New Revolving Credit Facility) and borrowed $5.0 million thereunder to repay the approximately $5.0 million of debt outstanding under our $67.5 million senior secured credit facility, as amended, (the Old Credit Facility) and to pay fees and expenses associated with our New Revolving Credit Facility. In connection with the repayment of the debt under our Old Credit Facility, we terminated that facility. As of April 9, 2013, we had $6.0 million of outstanding indebtedness under our New Revolving Credit Facility. We refer to the execution of the New Revolving Credit Facility, the termination of the Old Credit Facility and related transactions as the Refinancing Transactions.

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

Table of Contents

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

- repurchase approximately $22.5 million of our common stock, series A preferred stock, series B preferred stock, and series X preferred stock on April 6, 2012, which we refer to as the stock repurchase;
- pay a $2.0 million termination fee to terminate the advisory agreement with Goode Partners LLC, which we refer to as Goode Partners; and
- pay approximately $0.6 million of transaction costs related to the credit facility amendment and the stock repurchase.

We used the net proceeds from our IPO and additional Company funds to repay approximately $79.4 million of the loans outstanding under our Old Credit Facility. The total outstanding debt under our Old Credit Facility after the repayment was approximately $5.0 million. On November 30, 2012, we used borrowings under our New Revolving Credit Facility to repay the outstanding debt under and to terminate our Old Credit Facility.

See Description of Indebtedness in this prospectus for more information regarding our Refinancing Transactions and the credit facility amendment and see Item 13. Certain Relationships and Related Transactions, and Director Independence in our Form 10-K, which is incorporated by reference herein for more information regarding the stock repurchase.

Our History

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

Our Principal Stockholders and Former Controlled Company Status

As of April 9, 2013, Goode Chuy s Holdings and its affiliates, and MY/ZP Equity LP (MY/ZP Equity), which is controlled by our Founders, own approximately 22.7% and 2.6%, respectively, of our outstanding common stock. Goode Chuy s Holdings had the right to vote additional shares of our common stock under a voting agreement entered into among us, Goode Chuy s Holdings, MY/ZP Equity and other stockholders. Upon the completion of the secondary offering in January 2013 the voting agreement was terminated because Goode Chuy s Holdings and the other parties to the voting agreement no longer owned more than 50% of the total voting power of our common stock. As a result, we are no longer a controlled company within the meaning of the Nasdaq Marketplace rules. See Risk Factors Although we are no longer a controlled company within the meaning of the Nasdaq Marketplace rules, during the phase-in period we may continue to rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

After the completion of this secondary offering, Goode Chuy s Holdings and MY/ZP Equity are expected to own 4.7% and 2.6% of our common stock, respectively or 2.5% and 2.6%, respectively, if the underwriters option to purchase additional shares is fully exercised. See Risk Factor Historically, we relied on Goode Partners expertise and may no longer benefit from this relationship.

Table of Contents

Company Information

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

Implications of Being an Emerging Growth Company

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

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

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

Table of Contents

THE OFFERING

Shares of common stock offered by the selling stockholders	3,000,000 shares.
Option to purchase additional shares	The selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 450,000 additional shares of our common stock.
Ownership after offering	Upon completion of this offering, our principal stockholders, executive officers, directors and affiliated entities will beneficially own approximately 9.9% of our outstanding common stock (7.2% if the underwriters exercise in full their option to purchase additional shares from us). We are no longer able to avail ourselves of the controlled company exemption under the corporate governance rules of the Nasdaq Stock Market. Our board of directors intends to take all actions necessary to comply with such corporate governance rules, subject to the applicable phase-in periods. See Principal and Selling Stockholders included elsewhere in this prospectus and Item 10. Directors, Executive Officers and Corporate Governance Director Independence and Former Controlled Company Status in our Form 10-K, which is incorporated by reference herein.
Common stock to be outstanding after this offering	16,228,731 shares.
Use of proceeds	We will not receive any proceeds from the sale of common stock by the selling stockholders in this offering. See Principal and Selling Stockholders.
Dividend policy	We did not declare or pay any dividends on our common stock during fiscal years 2009, 2010 and 2012. We declared and paid a one-time dividend of $1.75 per share on shares of our common stock and our series A preferred stock, series B preferred stock and series X preferred stock during May 2011, totaling $19.0 million. See Item 5. Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Dividend Policy in our Form 10-K, which is incorporated by reference herein.
	We currently expect to retain all available funds and future earnings, if any, for use in the operation and growth of our business and do not anticipate paying any cash dividends in the foreseeable future.
	Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements and such other factors as our board of directors deems relevant. In addition, our New Revolving Credit Facility restricts our ability to pay dividends. See Description of Indebtedness.

Table of Contents

Nasdaq Global Select Market symbol	CHUY
Risk factors	Investment in our common stock involves substantial risks. You should read this prospectus carefully, including the section entitled Risk Factors and the consolidated financial statements and the related notes to those statements contained elsewhere and incorporated by reference in this prospectus before investing in our common stock.

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

Table of Contents

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth, for the periods and dates indicated, our summary historical financial and operating data. We have derived the statement of operations data for the fiscal years ended December 26, 2010, December 25, 2011 and December 30, 2012 from our audited consolidated financial statements incorporated by reference in this prospectus. You should read this information in conjunction with Capitalization included elsewhere in this prospectus and Item 6. Selected Historical Consolidated Financial and Operating Data , Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes to those statements in our Form 10-K all of which are incorporated by reference in this prospectus.

	YEAR ENDED (1)		
	DECEMBER 26, 2010	DECEMBER 25, 2011	DECEMBER 30, 2012
	(Dollars in thousands, except per share data)		
Statement of Operations Data:			
Revenue	$ 94,908	$ 130,583	$ 172,640
Cost of Sales	25,626	36,139	46,475
Labor	30,394	41,545	55,223
Operating	14,292	19,297	24,498
Occupancy	5,654	7,622	10,332
General and administrative	5,293	7,478	9,358
Advisory agreement termination fee			2,000
Secondary offering costs			228
Settlement with former director		245	
Marketing	655	964	1,319
Restaurant pre-opening	1,959	3,385	3,383
Depreciation and amortization	2,732	4,448	6,528
Total costs and expenses	86,605	121,123	159,344
Income from operations	8,303	9,460	13,296
Loss on extinguishment of debt		78	1,673
Interest expense	3,584	4,284	3,923
Income before income taxes	4,719	5,098	7,700
Income tax provision	1,428	1,634	2,243
Net income	$ 3,291	$ 3,464	$ 5,457
Undistributed earnings allocated to participating interests	$ 5,617	$ 3,423	$ 2,171
Net income (loss) available to common stockholders	$ (2,326)	$ 41	$ 3,286
Per Share Data:			
Basic net income per share	$ (17.18)	$ 0.21	$ 0.48
Diluted net income per share (2)	$ (17.18)	$ 0.20	$ 0.37
Weighted average common stock outstanding			
Basic	135,392	191,166	6,809,576
Diluted (2)	135,392	10,852,651	12,893,290

Pro Forma Per Share Data: (3)		
Basic pro forma net income per share	$	0.64
Diluted pro forma net income per share	$	0.62
Pro forma weighted average common stock outstanding		
Basic		15,918,427
Diluted		16,645,245

10

Table of Contents

	ACTUAL AS OF DECEMBER 30, 2012
Balance Sheet Data (at end of period):	
Cash and cash equivalents	$ 5,855
Working capital (deficit)	(2,680)
Total assets	129,721
Total debt	5,000
Total stockholders equity	87,463

	YEAR ENDED [(1)]		
	DECEMBER 26, 2010	DECEMBER 25, 2011	DECEMBER 30, 2012
	(Dollars in thousands, except per share data)		
Other Financial Data:			
Net cash provided by operating activities	$ 11,752	$ 17,203	$ 24,524
Net cash used in investing activities	(16,646)	(20,682)	(27,246)
Net cash provided by financing activities	6,169	2,969	5,750
Capital expenditures	16,370	20,452	26,834
Restaurant-Level EBITDA [(4)]	$ 18,287	$ 25,016	$ 34,793
Restaurant-Level EBITDA margin [(4)]	19.3%	19.2%	20.2%
Adjusted EBITDA [(4)]	$ 13,369	$ 18,930	$ 25,529
Adjusted EBITDA margin [(4)]	14.1%	14.5%	14.8%
Operating Data:			
Total restaurants (at end of period)	23	31	39
Total comparable restaurants (at end of period) [(5)]	13	18	24
Average sales per comparable restaurant [(5)]	$ 5,086	$ 4,987	$ 4,986
Change in comparable restaurant sales [(5)]	0.7%	3.1%	2.8%
Average check [(6)]	$ 12.77	$ 12.98	$ 13.18

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

(2) The net income available to common stockholders used in the diluted net income per share calculation was increased from the net income available to common stockholders used in the basic net income per share calculation to $2.2 million and $4.8 million for the fiscal years ended December 25, 2011 and December 30, 2012, respectively. These increases were the result of adding back to net income available to common stockholders the undistributed earnings allocated to the series A preferred stock and series B preferred stock as they were assumed converted as of the beginning of each period under the if-converted method. No adjustment was made to net income available to common stockholders for the fiscal year ended December 26, 2010 as it was anti-dilutive to assume conversion of the series A preferred stock and series B preferred stock. No adjustment was made for the conversion of the series X preferred stock in any period because it was antidilutive to assume conversion of the series X preferred stock in each period. For additional information, see Note 2 to our consolidated financial statements, which is incorporated by reference herein.

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

(3) Pro forma per share data gives effect to (i) the Old Credit Facility, (ii) the credit facility amendment, (iii) the conversion of our series A preferred stock, series B preferred stock and series X preferred stock into shares of common stock prior to the consummation of our IPO, (iv) the use of proceeds from the credit facility amendment, including the termination of the advisory agreement with our Sponsor and the completion of our stock repurchase on April 6, 2012, (v) the 6,708,332 shares of our common stock issued by us in our IPO at an initial public offering price of $13.00 per share, which includes the 874,999 shares of our common stock issued to cover overallotments, and (vi) the use of proceeds therefrom, as if each of these events occurred on December 26, 2011. Pro forma basic net income per share consists of pro forma net income divided by the pro forma basic weighted average common stock outstanding. Pro forma diluted net income per share consists of pro forma net income divided by the pro forma diluted weighted average common stock outstanding.

Table of Contents

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

The following is a reconciliation of historical net income to pro forma net income for the year ended December 30, 2012:

		YEAR ENDED DECEMBER 30, 2012
Net income as reported	$	5,457
Management fees and expenses [(a)]		2,094
Decrease in interest expense [(b)]		5,168
Increase in income tax expense [(c)]		(2,469)
Pro forma net income	$	10,250
Pro forma weighted average common stock outstanding [(d)]		
Basic		15,918,427
Diluted		16,645,245
Pro forma Basic net income per share	$	0.64
Pro forma Diluted net income per share	$	0.62

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

(b) Reflects the net adjustment to interest expense resulting from the Old Credit Facility, the credit facility amendment, and our prepayment of $79.4 million of aggregate principal amount of outstanding loans under our Old Credit Facility with the net proceeds of the IPO and additional Company funds as if these transactions occurred on December 26, 2011 and assumes that the outstanding debt balance of $5.0 million following these transactions was the outstanding balance during the period presented. This interest adjustment was calculated by reversing the historical interest expense of $5.6 million for the year ended December 30, 2012 and recalculating interest expense based upon (i) multiplying the post-IPO debt balance of $5.0 million by the interest rate of 7.0% under the Old Credit Facility, as amended; (ii) multiplying the unused credit facility balance under the Old Credit Facility of approximately $10.5 million by the unused facility commitment fee of 0.5%; and (iii) adding the amortization expense on the remaining unamortized deferred financing costs of approximately $25,000 for the period presented. The assumed 7.0% interest rate took effect on October 22, 2012, pursuant to the terms of our Old Credit Facility as a result of the reduction of our total leverage ratio below 2.0 to 1.0 and a LIBOR floor of 1.5% under the Old Credit Facility. The historical amount for the year ended December 30, 2012 reflects an expense of $1.6 million to write off the unamortized loan origination fees related to the portion of our Old Credit Facility that was repaid with the net proceeds of the IPO.

(c) Reflects adjustments to historical income tax expense to reflect the income tax expense effect resulting from the elimination of management fees and expenses as a result of the termination of the advisory agreement with Goode Partners as described in (a) above and a net decrease in interest expense as a result of our prepayment of loans under our Old Credit Facility as described in (b) above, assuming a statutory tax rate of 34.0%.

(d) Reflects (i) the repurchase of 1,655,662 shares of common and preferred stock on April 6, 2012, (ii) the conversion of all series of our outstanding preferred stock into common stock prior to the closing of our IPO and (iii) the issuance of 6,708,332 additional shares of common stock in our IPO, as if all these transactions occurred at the beginning of fiscal year 2011 and were outstanding during the entire period presented.

(4) Restaurant-Level EBITDA represents net income plus the sum of general and administrative expenses, the advisory agreement termination fee, the secondary offering costs, the settlement with our former director, restaurant pre-opening costs, depreciation and amortization, interest, loss on extinguishment of debt and taxes. Adjusted EBITDA represents net income before interest, taxes, depreciation and amortization plus the sum of restaurant pre-opening costs, the advisory agreement termination fee, the secondary offering costs, the settlement with our former director and management fees and expenses.

Table of Contents

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

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

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

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

Table of Contents

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

	YEAR ENDED [1] DECEMBER 26, 2010	DECEMBER 25, 2011 (Dollars in thousands)	DECEMBER 30, 2012
Adjusted EBITDA:			
Net income	$ 3,291	$ 3,464	$ 5,457
Income tax provision	1,428	1,634	2,243
Loss on extinguishment of debt		78	1,673
Interest expense	3,584	4,284	3,923
Depreciation and amortization	2,732	4,448	6,528
EBITDA	$ 11,035	$ 13,908	$ 19,824
Management fees and expenses [a]	375	373	94
Advisory agreement termination fee [b]			2,000
Offering costs [c]			228
Settlement with former director [d]		245	
Restaurant pre-opening [e]	1,959	3,385	3,383
Special one-time bonus payment [f]		1,019	
Adjusted EBITDA	$ 13,369	$ 18,930	$ 25,529
Restaurant-Level EBITDA:			
Net income	$ 3,291	$ 3,464	$ 5,457
Income tax provision	1,428	1,634	2,243
Loss on extinguishment of debt		78	1,673
Interest expense	3,584	4,284	3,923
General and administrative	5,293	7,478	9,358
Advisory agreement termination fee			2,000
Offering Costs			228
Settlement with former director		245	
Restaurant pre-opening	1,959	3,385	3,383
Depreciation and amortization	2,732	4,448	6,528
Restaurant-Level EBITDA	$ 18,287	$ 25,016	$ 34,793

(a) For a discussion of our management fees and expenses, see footnote (a) to the reconciliation of net income to pro forma net income as set forth in footnote 3 above.

(b) Upon the completion of the credit facility amendment, we and Goode Partners terminated the advisory agreement in exchange for a termination fee of $2.0 million.

(c) In connection with a secondary public offering of our common stock by certain of our existing shareholders on January 30, 2013, we incurred offering costs of $228,000 during the fiscal year ended December 30, 2012.

(d) In June 2011, in connection with the departure of a former director, we entered into a settlement agreement in which we paid $175,000 and expensed an additional $70,000 related to a one-time put option in which the former director may have required us to repurchase his shares anytime from June 15, 2012 to August 13, 2012. For additional information, see Item 13. Certain Relationships and Related Transactions, and Director Independence Settlement Agreement in our Form 10-K, which is incorporated by reference herein.

(e) Restaurant pre-opening costs include expenses directly associated with the opening of new restaurants and are incurred prior to the opening of a new restaurant. See Note 1 to our audited consolidated financial statements for additional details included in our Form 10-K, which is incorporated by reference herein.

(f) In connection with entering into our Old Credit Facility, we paid a special one-time cash bonus payment to certain members of management.

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

Table of Contents

(5) We consider a restaurant to be comparable in the first full quarter following the eighteenth month of operations. Change in comparable restaurant sales reflect changes in sales for the comparable group of restaurants over a specified period of time. The average sales per comparable restaurant in 2012 is based on the 52-week period ended December 23, 2012. The change in comparable restaurant sales in 2012 is calculated based on the 52-week period ended December 23, 2012 and the 52-week period ended December 25, 2011, which includes the impact of an extra 1.5 operating days in 2012 because of the timing of the Christmas holiday, which had a favorable impact of 0.6% on the percentage change in comparable restaurant sales.

(6) Average check is calculated by dividing revenue by customer counts for a given period of time. Customer count is measured by the number of entrees sold.

Table of Contents

RISK FACTORS

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

Risks Relating to Our Business and Industry

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

Future growth in our revenues and profits will depend on our ability to develop profitable new restaurants, maintain or grow sales and efficiently manage costs in our existing and new restaurants. As of April 9, 2013, we operated 42 restaurants, of which 13 restaurants are not considered comparable. The results achieved by these restaurants may not be indicative of longer-term performance or the potential market acceptance of restaurants in other locations.

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

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

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

- food and other raw materials costs, many of which we do not or cannot effectively hedge;
- labor costs, including wage, workers compensation, health care and other benefits expenses;

- rent expenses and construction, remodeling, maintenance and other costs under leases for our new and existing restaurants;
- compliance costs as a result of changes in regulatory or industry standards;
- energy, water and other utility costs;
- costs for insurance (including health, liability and workers compensation);
- information technology and other logistical costs; and
- expenses due to litigation against us.

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

Table of Contents

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

We intend to develop new restaurants in our existing markets, and selectively enter into new markets. Since the start of 2008, we have expanded from 8 restaurants to 42 restaurants through April 9, 2013. We opened eight restaurants in 2012. We have opened three restaurants year to date through April 9, 2013, including our first in Virginia, and plan to open an additional five to six restaurants in 2013. There can be no assurance that any new restaurant that we open will have similar operating results to those of existing restaurants. We may not be able to open our planned new restaurants on a timely basis, if at all, and, if opened, these restaurants may not be operated profitably. The number and timing of new restaurants opened during any given period, and their associated contribution to operating growth, may be negatively impacted by a number of factors including, without limitation:

- identification and availability of appropriate locations that will drive high levels of customer traffic and sales per unit;
- inability to generate sufficient funds from operations or to obtain acceptable financing to support our development;
- recruitment and training of qualified operating personnel in the local market;
- availability of acceptable lease arrangements, including sufficient levels of tenant allowances;
- the financial viability of our landlords, including the availability of financing for our landlords and our landlords ability to pay tenant incentives on a timely basis;
- construction and development cost management;
- timely delivery of the leased premises to us from our landlords and punctual commencement of our buildout construction activities;
- delays due to the customized nature of our restaurant concepts and decor, construction and pre-opening processes for each new location;
- obtaining all necessary governmental licenses and permits, including our liquor licenses, on a timely basis to construct or remodel and operate our restaurants;
- inability to comply with certain covenants under our New Revolving Credit Facility that could limit our ability to open new restaurants;
- consumer tastes in new geographic regions and acceptance of our restaurant concept;
- competition in new markets, including competition for restaurant sites;

- unforeseen engineering or environmental problems with the leased premises;
- adverse weather during the construction period;
- anticipated commercial, residential and infrastructure development near our new restaurants; and
- other unanticipated increases in costs, any of which could give rise to delays or cost overruns.

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

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

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

Table of Contents

continue to repress consumer confidence and discretionary spending for the near term. If current volatile economic

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

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

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

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

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

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

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

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

Our financial performance is highly dependent on restaurants located in Texas and the Southeastern and Midwestern United States. As a result, adverse economic conditions in any of these areas could have a material adverse effect on

Table of Contents

our overall results of operations. In recent years, certain of these states have been more negatively impacted by the housing decline, high unemployment rates and the overall economic crisis than other geographic areas. In addition, given our geographic concentrations, particularly in Texas, negative publicity regarding any of our restaurants in these areas could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, adverse weather conditions, hurricanes, droughts or other natural or man-made disasters. Adverse weather conditions may also impact customer traffic at our restaurants, cause the temporary underutilization of outdoor patio seating, and, in more severe cases, cause temporary restaurant closures, sometimes for prolonged periods.

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

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

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

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

Our profitability and operating margins are dependent in part on our ability to anticipate and react to changes in food costs. We rely on two regional distributors, Labatt Foodservice in Texas and Oklahoma and Performance Food Group in the Southeastern United States, and various suppliers to provide our beef, cheese, beans, soybean oil, beverages and our groceries. For our chicken products, we rely on two suppliers for our Southeast locations and a sole supplier in Texas. For our green chiles, we contract to buy, through our supplier, Bueno Foods of Albuquerque, New Mexico, chiles from a group of farmers in New Mexico each year, which we have the right to select under our agreement. If and to the extent the farmers are unable or do not supply a sufficient amount of green chiles or if we need chiles out of season, we purchase the excess amount from the general supply of Bueno Foods. Each restaurant, through its general manager and kitchen manager, purchases its produce locally. Any increase in distribution prices, increase in the prices charged by suppliers or failure to perform by these third-parties could cause our food costs to increase or us to experience short-term unavailability of certain products. Failure to identify an alternate source